

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

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange  
Act of 1934 (No Fee Required)  
For the fiscal year ended October 30, 1998

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange  
Act of 1934 (No Fee Required)  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-9232

VOLT INFORMATION SCIENCES, INC.

-----  
(Exact name of registrant as specified in its charter)

New York 13-5658129

-----  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

1221 Avenue of the Americas, New York, New York 10020-1579

-----  
(Address of principal executive offices) (Zip Code)

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

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

Title of each class	Name of each exchange on which registered
----- Common Stock, \$.10 par value	----- New York Stock Exchange, Inc.
-----	-----

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

None

----

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

The aggregate market value of the common stock held by non-affiliates of the Registrant as of January 15, 1999 (based on the closing price on the New York Stock Exchange on that date) was approximately \$160 million (based on the number of shares outstanding on that date, exclusive of all shares held beneficially by executive officers and directors and their spouses and the Registrant's Savings Plan and Employee Stock Ownership Plan, without conceding that all such persons or plans are "affiliates" of the Registrant).

The number of shares of common stock outstanding as of January 15, 1999 was 15,024,998.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 1999 Annual Meeting are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS

GENERAL

-----

Volt Information Sciences, Inc., a New York corporation, incorporated in 1957, and its subsidiaries (collectively "Volt" or the "Company", unless the context otherwise requires) operate in three major businesses, consisting of the following five industry segments:

STAFFING SERVICES

-----

(1) Staffing Services (formerly referred to as Technical Services and Temporary Personnel) - This segment provides a broad range of employee staffing services, including temporary help, technical personnel placement, and other contingent staffing services, employment and direct hire placement services, payroll services, employment outsourcing services and employee leasing services, to a wide range of customers.

TELECOMMUNICATIONS & INFORMATION SOLUTIONS

-----

(2) Telephone Directory - This segment publishes independent telephone directories, provides telephone directory production, commercial printing, database management, sales and marketing services, licensing of directory production and contract management software systems to directory publishers and others.

(3) Telecommunications Services - This segment provides telecommunications services, including engineering, design, construction, installation, maintenance, removals and distribution of telecommunications products in the outside plant and central office, and within end user premises.

(4) Computer Systems - This segment provides directory assistance outsourcing services; designs, develops, integrates, markets, sells and maintains computer-based directory assistance systems and other database management and telecommunications systems for the telecommunications industry; and provides services, principally computer-based projects, to public utilities and financial institutions.

PREPRESS PUBLISHING SYSTEMS

-----

(5) Electronic Publication and Typesetting Systems - This segment designs, develops, manufactures, integrates, markets, sells and services computerized imagesetting and publication systems equipment and software through Autologic Information International, Inc., the Company's 59% owned publicly-held subsidiary and its subsidiaries, collectively, "aii".

INFORMATION AS TO INDUSTRY SEGMENTS

-----

The following tables set forth the contribution of each industry segment to the Company's consolidated sales and operating profit for each of the three fiscal years in the period ended October 30, 1998, and those assets identifiable within each segment at the end of each of those years (see Note J of Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations).

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
INDUSTRY SEGMENT DATA

<TABLE>  
<CAPTION>

October 30, 1998	October 31, 1997	November 1, 1996
---------------------	---------------------	---------------------

-----  
(Dollars in thousands)

<S>                                 <C>                                 <C>                                 <C>

NET SALES:  
Staffing Services:

Sales to unaffiliated customers	\$ 1,308,224	\$ 1,015,579	\$ 713,476
Intersegment sales	5,953	5,218	2,809
	<u>1,314,177</u>	<u>1,020,797</u>	<u>716,285</u>
Telephone Directory:			
Sales to unaffiliated customers	87,393	88,214	77,972
Intersegment sales	1,842	1,376	639
	<u>89,235</u>	<u>89,590</u>	<u>78,611</u>
Telecommunications Services:			
Sales to unaffiliated customers	166,383	143,360	89,957
Intersegment sales	2,373	2,811	1,515
	<u>168,756</u>	<u>146,171</u>	<u>91,472</u>
Computer Systems:			
Sales to unaffiliated customers	59,375	70,123	79,033
Intersegment sales	142	89	53
	<u>59,517</u>	<u>70,212</u>	<u>79,086</u>
Electronic Publication and Typesetting Systems:			
Sales to unaffiliated customers	87,220	84,197	88,120
Intersegment sales	396	429	762
	<u>87,616</u>	<u>84,626</u>	<u>88,882</u>
Elimination of intersegment sales	<u>(10,706)</u>	<u>(9,923)</u>	<u>(5,778)</u>
Total Net Sales	<u>\$ 1,708,595</u>	<u>\$ 1,401,473</u>	<u>\$ 1,048,558</u>
SEGMENT PROFIT (LOSS)			
Staffing Services	\$ 33,481	\$ 30,761	\$ 27,346
Telephone Directory	5,830	8,881	4,858
Telecommunications Services	11,868	18,722	9,484
Computer Systems	(2,878)	247	7,707
Electronic Publication and Typesetting Systems		3,119	1,521
Eliminations		(12)	(69)
Total segment profit	<u>51,420</u>	<u>60,120</u>	<u>45,199</u>
General corporate expenses	<u>(12,106)</u>	<u>(10,811)</u>	<u>(9,811)</u>
TOTAL OPERATING PROFIT		39,314	49,309
Interest and other income - net	2,116	2,089	2,278
(Loss) gain on securities		(3,000)	52
Gain on sale of joint ventures	500	12,807	
Gain on sale of interest in subsidiaries			3,666
Interest expense	(5,712)	(5,656)	(5,167)
Foreign exchange (loss) gain - net	(391)	52	(516)
Income before income taxes, equity in joint venture earnings, minority interests and extraordinary item	<u>\$ 35,827</u>	<u>\$ 55,601</u>	<u>\$ 35,701</u>

</TABLE>

-3-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
INDUSTRY SEGMENT DATA--Continued

<TABLE>  
<CAPTION>

October 30, 1998	October 31, 1997	November 1, 1996
---------------------	---------------------	---------------------

(Dollars in thousands)

<S>

<C>

<C>

<C>

IDENTIFIABLE ASSETS				
Staffing Services	\$209,355	\$155,818	\$ 98,706	
Telephone Directory	67,754	45,971	41,622	
Telecommunications Services	62,480	58,393	41,082	
Computer Systems	35,632	35,750	42,069	
Electronic Publication and Typesetting Systems		53,476	55,305	66,504
	-----	-----	-----	
	428,697	351,237	289,983	
Cash, investments, joint ventures and other corporate assets	40,629	67,485	47,161	
	-----	-----	-----	
Total assets	<u>\$469,326</u>	<u>\$418,722</u>	<u>\$337,144</u>	

</TABLE>

-4-

#### FORWARD-LOOKING STATEMENTS DISCLOSURE

In order to keep our stockholders and investors informed of the Company's future plans and objectives, this Report and other reports and statements issued by the Company and its officers from time to time contain certain statements concerning the Company's future plans, objectives, performance, intentions and expectations that are or may be deemed to be "forward-looking statements". The Company's ability to do this has been fostered by the Private Securities Litigation Reform Act of 1995, which provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information so long as those statements are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. The Company believes that it is in the best interests of its stockholders to take advantage of the "safe harbor" provisions of that Act.

Although the Company believes that its expectations are based on reasonable assumptions, these forward-looking statements are subject to a number of known and unknown risks and uncertainties (many of which are discussed elsewhere in this annual report) that could cause the Company's actual results, performance and achievements to differ materially from those described or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to, general economic, competitive and other business conditions; the degree and timing of obtaining new contracts and the rate of renewals of existing contracts, as well as customers' degree of utilization of the Company's services; material changes in demand from larger customers, including those with which the Company has national contracts; the effect of litigation by temporary employees against temporary help companies and the customers with whom they do business; changes in customer attitudes toward temporary employees and outsourcing; the Company's ability to recruit qualified employees to satisfy customer requirements for the Company's staffing services; the Company's ability to meet competition in its highly competitive markets with minimal impact on margins; intense price competition and pressure on margins; the Company's ability to maintain superior technological capability; the Company's ability to foresee changes and to identify, develop and commercialize innovative and competitive products and systems in a timely and cost effective manner and achieve customer acceptance of such products and systems in markets characterized by rapidly changing technology and frequent new product introductions; risks inherent in new product introductions, such as start-up delays, cost overruns, uncertainty of customer acceptance and dependence on third parties for some product components; changes in laws, regulations and government policies; the Company's performance on contracts; the degree and effects of inclement weather; timing of customer acceptances of systems; the Company's ability to attract and retain certain classifications of technologically qualified personnel, particularly in the areas of research and development and customer service; the Company's ability to successfully and timely complete its Year 2000 compliance programs, and the ability of certain of its suppliers and customers to be Year 2000 compliant. These and certain other factors are discussed in this annual report for the fiscal year ended October 30, 1998, and from time to time in the Company's other reports hereafter filed with the Securities and Exchange Commission.

#### STAFFING SERVICES SEGMENT

Volt's Staffing Services segment provides, from 301 branch and on-site offices located throughout the United States, a broad range of employee staffing services, including temporary help, technical personnel placement, and other

contingent staffing services, employment and personnel placement services, payrolling services, employment outsourcing services, professional employer services and direct hire placement services, to a wide range of customers. Most customers are located in the United States, but a small portion of the segment's sales are provided outside the United States Except for professional employer services, which are marketed under

-5-

the name "Shaw & Shaw", the remainder of this segment's services are generally identified and marketed throughout the United States as "Volt Services Group".

#### VOLT SERVICES GROUP

Volt Services Group is a single-source provider of all levels of temporary staffing, offering to its customers an extensive range of contingent employment services. As a full-service supplier, Volt Services Group also provides payrolling and outsourcing services, as well as assuming full responsibility for staffing, supervision and the management of large projects which are staffed by temporary workers.

Volt Services Group provides professional, engineering, design, computer, scientific and technical support personnel, as well as information technology ("IT") services, contract engineering services and temporary help in administrative, clerical, office automation, accounting, telemarketing, industrial and other job classifications, for varying periods of time (both short and long-term) to companies and other organizations (including government agencies) in a broad range of industries which have a need for such personnel, but are unable, or do not choose to engage such personnel as their own employees. Customers range from those that require one or two temporary employees to national accounts that require as many as several thousand temporary employees at one time.

Volt Services Group has been successful in obtaining a number of large national contracts which typically involve servicing numerous customer facilities, on-site Volt representation and customized invoicing and management reports. Many of Volt's larger customers, particularly those with national agreements have managed services contracts under which Volt, in addition to providing staffing services, performs administrative functions associated with a customer's contingent staffing requirements. These managed services include the coordination, processing and payment of temporary personnel subcontractors ("associate vendors") for ultimate single source consolidated billing to the customers. Volt also acts as an associate vendor to other national providers to assist them in meeting their obligations to their customers. Employees assigned to a customer under a national account could range from light industrial workers to high-level engineers and information technology professionals. The bidding process for national accounts is very competitive and Volt is usually in competition with other major temporary staffing firms. Most contracts are for a one to three year time period, at which time they are typically rebid. Others are for shorter periods and may be for the duration of a particular project or subproject or a particular need that has arisen which requires additional or substitute personnel and expire upon completion of the project or when the particular need ends. These contracts with national accounts typically require considerable start-up costs and can usually take from six months up to two years to reach anticipated revenue levels. This segment maintains a group dedicated to the acquisition, implementation and service of national accounts; however, there can be no assurance that Volt Services Group will maintain accounts that it currently serves, nor that it can obtain additional national accounts on satisfactory terms.

Volt Services Group provides personnel to companies throughout a broad spectrum of industries, including the computer, electronics, manufacturing, aerospace, defense, telecommunications, utility, power (including certain nuclear and fossil fuel power plants), transportation, petrochemical, chemical, retail, finance, banking, insurance, architectural, engineering and other industries, as well as to government agencies and universities. Volt Services Group, through its Volt Accounting Specialists division, provides specialized temporary personnel in accounting, bookkeeping and other financial classifications. In addition, branch offices that have developed a specialty in one or more disciplines often use the name "Volt" followed by the specialty

discipline(s) to identify themselves.

-6-

Volt Services Group furnishes temporary employees to meet various customer requirements, such as assigning employees to a specific project or subproject (which employees are typically retained until its completion) or to meet a particular need that has arisen, substituting for permanent employees during vacation and sick leave, staffing high turnover positions, filling in during the full-time hiring process or during a hiring freeze, and staffing seasonal peaks, special projects, conversions, inventories and offices that are downsizing. Volt Services Group also provides management personnel to coordinate and/or manage special projects and to supervise temporary employees.

Volt Services Group maintains computerized nationwide resume databases containing resumes of engineers, computer professionals and other technical, professional and scientific candidates, from which it fills customer job requirements for these types of employees. These individuals are frequently willing to relocate to fulfill these assignments. Lesser skilled employees are generally recruited and assigned locally, and resumes for these employees are maintained in computerized databases at branch offices.

Employees hired by Volt Services Group become Volt employees during the period of their assignment, which ranges from as little as one day to several years. As the employer of record, Volt is responsible for the payment of salaries, payroll taxes, workers' compensation and unemployment insurance and other benefits, which may include paid sick days, holidays and vacations and medical insurance. Lawsuits have been instituted against users of temporary services, including some customers of the Company, by certain temporary employees assigned to such customers. In general, these lawsuits claim that the temporary employees should be classified as the customers' employees and are entitled to participate in certain of the customer's benefit programs. Volt does not know what effect the resolution of these cases will have on the industry in general, nor upon this segment's business.

In 1998, Volt Services Group created a dedicated group, called Volt Professional Placement, as an employment search agency which specializes in the recruitment and direct hire placement of individuals in professional, information technology, technical, accounting and finance, and administrative support disciplines. In order to support the new service, Volt expects to staff most of its branch offices with one specialized direct hire placement recruiter. Since the direct placement recruiters will operate out of Volt's existing nationwide branch system, the Company does not expect to experience significant start-up costs associated with the new service. In addition, Volt Services Group provides customers of its temporary services with direct full-time employees, the majority of whom have previously been assigned to that customer on a temporary basis and whom the customer desires to hire as direct full-time employees.

#### SHAW & SHAW

Shaw & Shaw, Inc. specializes in professional employer services, known as "employee leasing". Shaw & Shaw shares the employer responsibilities with its client companies, typically serving as the administrative employer of record for either the entire full-time workforce or for a specific department or division of the client company. Services provided by Shaw & Shaw include complete human resource management, legal and regulatory compliance, comprehensive health benefits, retirement plans administration, workers' compensation insurance, loss control and risk management and payroll administration. Shaw & Shaw utilizes the purchasing power of the Company which enables it to provide its customers with cost savings in health care and workers' compensation insurance under

-7-

its fully-insured plans, as well as labor administration, relieving such customers of the administrative responsibilities involved in maintaining employees.

Shaw & Shaw provides and markets its services to large and small client companies in a broad spectrum of industries, such as retail, convenience

markets, country clubs, restaurants, building contractors, petroleum, manufacturing, grocery, home care, maintenance, janitorial, banking and computer.

During the week ended October 30, 1998, this segment provided approximately 33,000 employees to its customers.

While the markets for the segment's services include a broad range of industries throughout the United States, general economic conditions in specific geographic areas or industrial sectors have in the past, and could in the future, affect the profitability of this segment. In addition, this segment could be affected by changes in government laws and regulations, including judicial decisions involving portions of the staffing services industry, and customers' attitudes toward outsourcing and temporary personnel, as well as decreasing rates of unemployment and higher wages sought by temporary workers, especially those in certain technical fields particularly characterized by labor shortages.

Some of this segment's national contracts are large, and the loss of any large contract could have a negative effect on this segment's business unless, and until, the business is replaced. Downward pressure on this segment's operating margins has occurred over the past several years due to a trend in the industry for large customers to consolidate their use of contingent workers to single source providers. This has resulted in a decrease in gross margin percentage due to higher associate vendor usage, a substantial portion of which is billed without a mark-up, and lower margins on the increasing business with its large, national, managed service accounts. Overhead costs have increased due to start-up costs incurred in connection with the opening of new temporary personnel or commercial placement offices to service national accounts, related infrastructure costs as additional regional and area management is required to support expansion and higher recruiting costs in a contracting labor market. In addition, the Staffing Services segment has seen a softening of the commercial staffing business from some of its major customers, resulting partly from an Asian economic crisis which has resulted in a number of customers transferring work to overseas facilities or subcontracting to domestic companies in order to reduce costs. The segment has also incurred higher costs of recruiting because of the low unemployment rate in the United States.

The segment competes with many technical service, temporary personnel and other contingent staffing firms, some of which are larger than Volt, as well as with individuals seeking direct employment from the Company's existing and potential customers.

The ability of Volt to compete successfully for customers depends on its reputation, pricing and quality of service provided and its ability to engage, in a timely manner, personnel meeting customer requirements. Competition is intense and many of the contracts entered into by this segment are of a relatively short duration, and awarded on the basis of competitive proposals which are periodically rebid by the customer. Although Volt has been successful in obtaining various short and long-term contracts in the past, with concomitant increases in revenues, in many instances margins under such contracts have decreased. There can be no assurance that existing contracts will be renewed on satisfactory terms or that additional or replacement contracts will be awarded to the Company, nor that revenues from an expired contract will be immediately replaced.

-8-

In December 1998, Volt acquired Gatton Computing Group Limited ("Gatton"), a provider of IT contractor resourcing services and IT managed services in the United Kingdom and continental Europe. The purchase price was approximately \$35 million of cash. Headquartered near London, England, Gatton offers IT services through three main operating divisions which provides temporary IT contract consultants and specifically tailored recruitment services, and a range of IT services, including systems development consulting, maintenance and technical support services. Gatton reported revenues in fiscal 1998 of approximately \$68 million (which are not included in Volt's fiscal 1998 operating results contained elsewhere in this report).

#### TELEPHONE DIRECTORY SEGMENT

Volt's Telephone Directory segment publishes independent telephone directories, provides telephone directory production, commercial printing, database management, sales and marketing services, licensing of directory production and contract management software systems to directory publishers and others. This

segment's business is in a state of transition from concentration on production and systems used in the production of phone directories to the publishing of telephone directories. This segment consists of DataNational, Directory Systems/Services, the Uruguay operations and Advanced Technologies, Research & Development.

#### DATANATIONAL

DataNational, Volt's independent telephone directory publisher, publishes community-based directories in various states, principally in the mid-Atlantic and Southeastern portions of the United States.

DataNational's revenues are generated from yellow pages advertising sold in these directories. DataNational offers community-based directories that provide consumers with information concerning businesses that provide services within their local geographic area. The directories also include features that are unique to the community, such as school information, maps and a calendar of events. DataNational's principal competition is regional telephone companies, whose directories typically cover a much wider geographic area than the locations for which DataNational publishes directories. Advertisers are attracted to DataNational's community directory because it enables them to specifically target their local markets at a much lower cost.

During fiscal 1998, the division added 62 new directories, through acquisitions and internal growth, bringing the total community, county and regional directories to 129. The division identifies new markets where demographics and their local shopping patterns are favorable to the division's community-oriented product and expands accordingly.

#### DIRECTORY SYSTEMS/SERVICES

Directory Systems/Services markets to directory publishers, and utilizes computer systems which combine equipment manufactured by aii and others with software developed by the Company and by third parties specifically for the division, as well as third-party off-the-shelf software. The division integrates and maintains these systems, which manage the production and control of databases, principally for directory and other advertising media publishers. These computer systems produce digitized display advertisements and photocomposed pages, with integrated graphics for yellow and white pages directories, as well as CD-ROM and internet directories. The systems incorporate "workflow management", by which ads are automatically routed between workstations, increasing through-put and control.

Directory Systems/Services customizes its systems to meet the needs of publishers who desire to perform work in-house. It also provides outsourcing services for advertising, database management

-9-

and publication to publishers and others who choose not to do the work in-house. The systems are sold or licensed to, and the services are performed for, publishers and others worldwide. It also provides directory management systems and various photocomposition services to a number of regional telephone and independent directory publishers throughout North America, licenses production system software to directory publishers and provides commercial services, such as composition, data processing and database management services, to other customers and separately markets workstations which are used to facilitate the creation of telephone directories.

Directory Systems/Services, through its Volt Directory Marketing group, also provides telemarketing services for directory advertising sales for both white and yellow pages directories and provides other telemarketing services to directory publishers.

Services are rendered under various short and long-term contracts and are performed primarily at facilities maintained by Volt in Anaheim, California; Indianapolis, Indiana; Blue Bell and Huntingdon Valley, Pennsylvania; and, in one instance, at the customer's facility.

A substantial portion of its business is obtained through submission of competitive proposals for contracts that typically expire in one to three years and are then rebid. A contract with one customer, which accounted



for approximately 12% of the segment's revenues and 28% of the segment's operating profit for fiscal 1998, expired in June 1998. Other contracts are scheduled to expire in 1999. While the Company has secured new contracts and believes it can secure renewals and/or extensions of some of the contracts which are scheduled to expire, some of which are material to this segment, and to obtain replacement business, there can be no assurance that contracts will be renewed or extended, or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

Directory Systems/Services faces intense competition with respect to all of its services and products from other suppliers and from in-house facilities of potential customers. Some of this division's significant competitors are companies which are larger and have substantially greater financial resources than Volt.

Commencing in 1999, Directory Systems/Services will publish The National Toll-Free Directory Shoppers Guide and The National Toll-Free Business Buyers Guide, which will provide toll-free numbers for consumers and businesses, respectively. These directories were acquired from AT&T Corp. for whom Volt has been providing prepress production and billing services related to the acquired directories for three years.

#### URUGUAY

Volt's Uruguay operations is the official publisher of white and yellow pages telephone directories for Antel, the government-owned telephone company in Uruguay, under a contract with Antel originally entered into in 1983 and extended through 2001. Revenues are generated from yellow pages advertising.

In addition to the directory business, the division owns and operates a printing plant that prints its own telephone directories and also prints directories for other publishers in Argentina, Brazil and other South American countries and does commercial printing for various customers in those countries and in Uruguay.

-10-

#### ADVANCED TECHNOLOGIES, RESEARCH & DEVELOPMENT

The Advanced Technologies, Research & Development ("ATRD") operation researches and implements new product lines and adopts new computer technology for internal office and business processing automation. Through its Volt Consulting Services division, ATRD also provides the Company, as well as non-affiliated customers, with data processing consulting, applications development and software systems integration services.

Volt's ability to compete in its Telephone Directory segment depends upon its reputation, technical capabilities, price, quality of service and ability to meet customer requirements in a timely manner. Volt believes that its competitive position in this segment's areas of operations is augmented by its ability to draw upon the expertise and resources of its other segments.

Although Volt continues its investment in research and development, there is no assurance that this segment's present or future products will be competitive, that the segment will continue to develop new products or that present products or new products will continue to be successfully marketed.

#### TELECOMMUNICATIONS SERVICES SEGMENT

Volt's Telecommunications Services segment provides telecommunications services, including engineering, design, construction, installation, maintenance, removals and distribution of telecommunications products in the outside plant and central office and within end user premises. This segment consists of the Volt Telecommunications Group (formerly known as Voltelcon) and Advanced Technology Services divisions.

#### VOLT TELECOMMUNICATIONS GROUP

Volt Telecommunications Group is a nationwide full-service provider of telecommunications services, including engineering, design, construction, installation, maintenance, removals and distribution of telecommunications products. It performs these services on a project and/or contract

personnel placement basis in the outside plant and central office, and within end-user premises, for telephone operating companies, interexchange carriers, local exchange carriers, wireless carriers, telecommunications equipment manufacturers, cable television, electric, gas, water and sewerage utilities, federal, state and local government units and private industry.

The Construction group provides both aerial and underground construction services, using its own vehicles and high production equipment. These services include jack and bore, directional boring, excavation for conduit and manhole systems, cable placement and splicing, pole placement and wrecking, copper, coaxial and fiber optic cable installation, splicing, termination and testing, project management and inspection services. Because much of this business is performed outdoors, operations have been, and could in the future, be adversely affected by weather conditions.

The Engineering group offers a wide range of outside plant engineering services including, right of way acquisition, network design for copper, coaxial and fiber systems, carrier systems design, conduit design, computer aided design drafting, digitizing records, building industry consultant engineering, turnkey design and construction and air pressure design and record verification.

The Business Systems group provides systems integration, cabling and wiring services and telephone equipment installation. This involves the engineering, design, installation and management of many

-11-

types of local and wide area networks, via copper and fiber, for voice, data and video. This division also provides installation and maintenance services to operating telephone companies, long distance carriers and telecommunications equipment manufacturers.

The Central Office group is a leading provider of telecommunications services including central office engineering, furnishing, installation and removal of transmission systems, distribution frame systems, AC/DC power systems, wiring and cabling, switch peripheral systems, pre and post conditioning, equipment assembly and system integration and controlled environment structures.

#### ADVANCED TECHNOLOGY SERVICES

Volt's Advanced Technology Services was established in 1994 to meet the challenges of the "Information Superhighway" and the merging of voice, data and video services to telephony, broadband and other providers of information system services, such as telephone companies, interexchange carriers, government and private industry. This division of the Telecommunications Services segment accommodates clients in the telecommunications industry who require a full range of services from multiple Volt business segments, such as human resources, equipment, vehicles, systems analysis, network integration, software development and turnkey applications.

Both business units offer partial or complete turnkey services to cellular and Personal Communications Services (PCS) license holders to establish or enhance their network infrastructure. These services include radio frequency engineering, site evaluations and acquisition, network engineering and equipment specifications, logistic support, site construction, testing and integration into the network, outside plant engineering and construction services and central office engineering, furnishing and installation to integrate the license holders' wireless networks into the national telecommunications network.

This segment also offers the added value of being able to provide total management of multi-discipline projects because of its ability to integrate the efforts of all of its groups on a single project. In addition, the segment is also responsible for turnkey programs performed nationwide which require a single point of contact and uniform quality.

This segment faces substantial competition with respect to all of its telecommunications services from other suppliers and from in-house capabilities of potential customers. Competition in this segment remains intense, often resulting in low margins. Some of this segment's significant competitors are larger and have substantially greater financial resources than Volt. Other

competitors are small, local companies, that generally have lower overhead.

Volt's ability to compete in this segment depends upon its reputation, technical capabilities, pricing, quality of service and ability to meet customer requirements in a timely manner. Volt believes that its competitive position in this segment is augmented by its ability to draw upon the expertise and resources of other Volt segments.

A substantial portion of Volt's business in this segment is obtained through submission of competitive proposals for contracts that typically expire in one to three years and are then rebid. While the segment has obtained various short and long-term contracts, margins under such contracts have decreased in many instances. One construction contract expired in fiscal 1998 and was not renewed; another expired in December 1998 and has been extended for three months while renewal is being negotiated. A significant Business Systems customer decided to exit a particular market in mid-1998 and focus on a new market. The group's sales and operating profit will be dependent on the customer's success in penetrating the new market. Other contracts

-12-

that expired in 1998 were renewed, and others will expire in 1999 through 2002. While the Company believes it can secure renewals and/or extensions of some of these contracts which are scheduled to expire, some of which are material to this segment, and obtain replacement business, there can be no assurance that contracts will be renewed or extended or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

## COMPUTER SYSTEMS SEGMENT

The Computer Systems segment provides directory assistance outsourcing services and designs, develops, sells, leases and maintains computer-based directory assistance and other database management and telecommunications systems and related services for the telecommunications industry and provides services, principally computer-based projects, to public utilities and financial institutions. This segment is comprised of Volt Delta Resources ("Volt Delta") and Volt VIEWtech ("VIEWtech").

### VOLT DELTA RESOURCES

Volt Delta provides directory assistance services and is engaged in the design, programming, sale, integration and maintenance of computer information systems, primarily for the telecommunications market. Volt Delta operates as two business units: Information Systems and Maintech.

Information Systems markets operator services solutions to telephone companies and interexchange carriers worldwide. Information Systems is transitioning from the sale of systems to a business unit that outsources directory information. To meet the needs of customers who desire to upgrade their operator services capabilities by procuring outside services as an alternative to making a capital investment, the division has deployed and is marketing enhanced directory assistance capabilities as a transaction-based outsourcing service. This service is marketed as Directory Express, with the division owning and operating its own proprietary Delta Operator Services System ("DOSS") and providing access to a national database sourced from listings acquired from the Regional Bell Operating Companies and other independent sources. As an adjunct to Directory Express, Volt Delta's Info Express service permits its transaction-based customers to offer operator assisted yellow pages ("OAYP"), directional and other enhanced directory assistance capabilities. These are designed to provide directory assistance operators worldwide access to over 126 million United States business, residential and government listings. For consumers (the end-users), especially cellular and PCS users, Directory Express is expected to provide a more convenient and efficient level of directory assistance service since, among other things, consumers may obtain enhanced directory and yellow pages information without having to know the correct area code. Enhanced operator services are particularly attractive in the wireless market where there are no printed telephone directories.

Although Volt Delta has been successful during 1998 in signing up new customers for these services, including three major telephone companies in the long distance and cellular markets, there can be no assurance that it will continue to be successful in marketing this service to additional

customers nor that the customers' volume of transactions will be at a level to enable the segment to return to profitability.

During 1996, Volt Delta Europe ("VDE"), the division's European operations based in the United Kingdom, was awarded a contract by KPN (the Netherlands telephone company) for VDE's Operator and Agent Services Integration System (OASiS), which offers operator services providers with open access to multiple information-based databases. The system has been deployed and is operational in Holland. Enhanced capabilities have recently been added to the system, and this additional peripheral

-13-

software is currently undergoing final testing. Final acceptance of this additional software is expected in fiscal 1999, and since Volt Delta uses the completed contract method of accounting, recognition of the revenue from this contract will take place at that time. VDE is marketing OASiS to other telecom providers.

Maintech provides installation planning, system and network monitoring, and system maintenance services to Volt Delta's customers. Maintech also provides an array of services to customers who have purchased computer systems and networks from others. These services include network management, system and network design and implementation, help desk support and workstation and PC integration, as well as maintenance services on DEC, SUN, Silicon Graphics, IBM RS/6000 and other advanced technology product lines.

In order to fulfill its commitments under its contracts, Volt Delta is required to develop advanced computer software programs and purchase substantial amounts of computer and related equipment manufactured by unaffiliated corporations. Much of the equipment required for these contracts is purchased as needed and is readily available from a number of suppliers.

#### VOLT VIEWTECH

VIEWtech services the energy and water utility industry providing conservation, metering, home improvement financing, and customer services. It is developing a service bureau to provide outsourced metering, billing and internet-based customer services using utility billing software operating on Microsoft's platforms. VIEWtech is the first outsourcing company to join the Environmental Protection Agency's Energy Star Billing Program which prescribes innovative designs in utility bill presentation.

VIEWtech also contracts with major energy utilities for HomeVIEW internet services which provides energy usage and energy-related home improvement payback analysis.

VIEWtech provides automatic meter reading ("AMR") installation services for utilities and AMR manufacturers, partnering with a major mid-western utility to install the first AMR system, delivering a combination of customer services, including power outage and basement water detection for homeowners.

VIEWtech, as a specialty lender, originates and services Fannie Mae-backed energy efficiency financing, contracting with major utilities to sponsor and provide marketing support for such financing. VIEWtech, Fannie Mae, the Federal Emergency Management Agency, and Florida's Department of Consumer Affairs have also partnered to provide disaster resistant home improvement financing, initially as a pilot effort to Florida homeowners.

The business environment in which this segment operates is highly competitive. Some of this segment's principal competitors are considerably larger than Volt and have substantially greater financial resources. This segment's position in its market depends largely upon its reputation, quality of service and ability to develop, maintain and implement information systems on a cost competitive basis. Although Volt continues its investment in research and development, there is no assurance that this segment's present or future products will be competitive, that the segment will continue to develop new products or that present products or new products can be successfully marketed.

-14-

Some of this segment's contracts expired in 1998, while others were renewed and

new contracts were awarded to the Company. Other contracts are scheduled to expire in 1999 through 2008. While the Company believes it can secure renewals and/or extensions of some of these contracts which are scheduled to expire, some of which are material to this segment, and obtain replacement business, there can be no assurance that contracts will be renewed or extended or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

#### ELECTRONIC PUBLICATION AND TYPESETTING SYSTEMS SEGMENT

aii designs, develops, manufactures, integrates, markets, sells and services computerized imagesetting and publication systems equipment and software that automate the various prepress production steps in the publishing process. aii's products are primarily marketed and sold to the newspaper publishing industry, the commercial printing industry and other organizations having internal publishing facilities. aii has traditionally focused its efforts on high-volume and deadline-driven customers. However, aii continues to take steps to expand its revenue base through the utilization of its core capabilities to expand into niche portions of the lower-volume, less time-sensitive commercial publishing and electronic document transmission markets. Although competition is more intense in these additional markets, aii believes that significant opportunities exist therein.

aii was formed on January 29, 1996, by the merger (the "Merger") into it of the Company's then existing Electronic Publication and Typesetting Systems segment, consisting of Autologic, Incorporated and related foreign subsidiaries of the Company (collectively "Autologic") and Information International, Inc. ("Triple-I"), a publicly-held company. The Company's reported results of operations contained in this Report for periods prior to January 29, 1996 reflect only the operations of Autologic and not those of Triple-I and for subsequent periods reflect the operations of the combined entities. Accordingly, the Company believes that the results of operations for periods before and after the Merger are not comparable, as they do not reflect comparable business structures.

In general, aii's systems consist of computers, laser-based, and computer-based products used for scanning images, storing and retrieving computerized text and images and controlling output of those elements to various output devices, such as laser imaging systems, proofers, platemakers and document distribution systems. The principal imaging device sold by aii is the 3850 film recorder which is manufactured by aii. aii has developed its own proprietary computer-to-plate imager for the newspaper market based on its existing imaging and manufacturing technology. Initial deliveries of this product began in the fourth quarter of 1998. aii also manufactures a scanner, a laser cinema recorder used in the motion picture industry, as well as a variety of hardware and software interface products that enable different computers and other products to communicate and transfer information efficiently. To meet the specific requirements of aii's customers, aii's products can be integrated into complete systems, integrated with a customer's existing products (whether previously purchased from aii or from another vendor) or sold and used individually as "stand alone" units.

aii's systems are available in a variety of hardware and software configurations on a broad base of computer hardware platforms which allow them to be structured to meet the individual needs of members of the prepress industry, including publishers of newspapers, telephone directories, magazines, books, directories, catalogues, yearbooks, print advertising, checks, and other quality graphic art printed products. To satisfy this diverse customer base, aii offers systems providing different speed, page size and output quality requirements, depending on the customer's requirements for final publication. These systems normally output either to film or photographic paper (both of which are then used to make printing press plates) or to the printing press plates themselves.

-15-

Direct marketing and sale of aii's products throughout the United States, Mexico, Canada, Australia, New Zealand, and the major markets of Europe are provided by aii. aii's American operations are managed out of its Thousand Oaks, California headquarters. An operations headquarters near London, England and a Pacific operations headquarters in Sydney, Australia manage the international sales and service operations.

Sales made outside the United States by aii subsidiaries, of products manufactured or assembled in the United States, together with export sales by

aii directly to unaffiliated foreign customers, amounted to \$33.4 million in fiscal 1998, \$38.4 million in fiscal 1997 and \$46.2 million in fiscal 1996.

A significant portion of aii's business is in the newspaper publishing industry, which has, in the past, experienced significant downturns during recessions. Newspapers have been seeking to reduce costs and expenditures to offset intense competition for advertising revenues and reduced readership of the smaller number of newspapers, especially in the United States. Until recently, these factors had resulted in reductions in equipment purchases by aii's traditional customers. However, newspapers have recently been experiencing increased advertising revenue and increased page counts, although it is not known if this trend will continue. These developments have had a positive effect on aii as newspapers make additional capital expenditures.

aii operates in a highly competitive marketplace. Its position in its markets depends largely upon its reputation, the quality, design and pricing of its products, its ability to maintain high-level technological capabilities, foresee market changes and continue to identify, develop and commercialize innovative and competitive products and systems, and to improve the timeliness of its deliveries and the quality of its field service. Technological advancements, "open system" architecture (which allows customers to assemble standardized component products themselves from several different sources) and general market conditions have increased price competition. A number of firms, some of which are substantially larger and have substantially greater financial resources than aii, manufacture one or more prepress products competing with each of aii's prepress products. Some of these competitors sell their products as complete prepress systems, for some of which aii has no competing systems. Other competitors grant significant price discounts for products which compete with aii's products in order to promote sales of ancillary products as to which aii has no competing product. Although aii continues its investment in research and development, there is no assurance that aii's present or future products will be competitive, that aii will continue to develop new products or that present products or new products will be successfully marketed.

As a result of this increasing competition, as well as changing patterns of customer purchasing that have produced an industry-wide trend toward the purchase of open systems, the industry, including aii, has experienced pressure on profit margins on sales of equipment and software, which is likely to continue. Gross profit margins on customer services have likewise been under considerable pressure in recent years. This is attributable to the industry trend towards using open systems, which enables the user to service some equipment in-house. In addition, since such products are more software oriented, aii offers more maintenance services through remote data transfer, rather than on-site. To counter this pattern, aii is striving to reduce costs while designing and marketing cost justifiable products for its customers.

#### JOINT VENTURES

In fiscal 1998, Volt and TELUS Advertising Services, a wholly owned subsidiary of TELUS Corporation, formed a joint venture for the publishing of community telephone directories. The two partners have each committed \$25 million for the acquisition, start-up and operation of a business engaged in the publication of community telephone directories in the western half of the United States. The joint venture has not yet acquired any directories.

-16-

In January 1997, the Company sold its interest (acquired in July 1994) in Telelistas Editora Ltda., ("Telelistas"), a Brazilian company which has a contract to publish Rio de Janeiro's official telephone directories on behalf of the government-owned telephone company. In connection with the sale, the Company continued to grant credit and guarantee the venture's obligations with respect to certain import financing, principally for the printing of telephone directories by the Company's Uruguayan operation. During 1998, Telelistas repaid certain of its obligations and the Company's guarantees were released (see Note G of Notes to Consolidated Financial Statements).

In September 1997, the Company sold its interest (acquired in 1991) in Pacific Access Pty. Ltd. ("Pacific Access"), a joint venture company in Australia, which marketed, sold and compiled the yellow pages directories of Telstra Corporation, Ltd., the Australian telephone company.

For further information concerning the Company's operations and joint ventures, see Management's Discussion and Analysis of Financial Condition and Results of

Operations.

## RESEARCH, DEVELOPMENT AND ENGINEERING

During fiscal years 1998, 1997 and 1996, the Company expended approximately \$11.1 million, \$14.3 million and \$14.4 million, respectively, on research, development and engineering, all of which is Company sponsored. The major portion of research and development expenditures were incurred by the Electronic Publication and Typesetting Systems, the Telephone Directory and the Computer Systems segments. The decrease in expenditures in fiscal year 1998 was largely due to a reduction in product development in the Computer Systems segment as new products and services have been completed and introduced to new and existing customers.

## INTELLECTUAL PROPERTY

"Volt" is a registered trademark of the Company. The Company holds a number of other trademarks and patents related to certain of its products and services; however, it does not believe that any of these are material to the Company's business or that of any segment. The Company is also a licensee of technology from many of its suppliers, none of which individually is considered material to the Company's business or that of its segments.

## CUSTOMERS

In fiscal 1998, the Staffing Services segment's sales to three customers, including substantial associate vendor pass-through sales, represented approximately 14%, 11% and 11%, respectively of the total sales of that segment; the Telephone Directory segment's sales to one customer, under a contract which expired in June 1998, represented approximately 12% of the total sales of that segment; the Telecommunications Services segment's sales to three customers represented approximately 28%, 18% and 14%, respectively of the total sales of that segment; and the Computer Systems segment's sales to three customers represented approximately 20%, 14%, and 14%, respectively of the total sales of that segment. Each of these segments is dependent on such customers. One such customer represented 11% of the Company's consolidated sales in fiscal 1998, but less than 10% of the Company's consolidated sales in prior years. In the event that there were additional losses of one or more of these customers, and unless the business is replaced by that segment, there could be an adverse effect on the results for that segment's business, although the Company does not believe that there would be a material adverse effect on the Company taken as a whole.

-17-

## SEASONALITY

Historically, the Company's results of operations have been lowest in its first fiscal quarter as a result of reduced requirements for its staffing services personnel due to the holiday season. In addition, Pacific Access (see "Joint Venture" above) produced a major portion of its revenues and significantly all of its profits in the Company's second and third fiscal quarters. The Uruguay division of the Telephone Directory segment produces a major portion of its revenues and most of its profits in the Company's fourth fiscal quarter, and the revenues and profits of that segment's DataNational division are lower in the Company's first fiscal quarter, due to the seasonality of its directory closing schedule. Sales by aii are generally lower in the months of November and December due to the holiday season, which is a peak publishing period when customers are reluctant to install and test new equipment.

## EMPLOYEES

During the week ended October 30, 1998, Volt employed approximately 38,700 persons, including approximately 33,000 persons who were on temporary assignment for the Staffing Services segment.

Volt is a party to two collective bargaining agreements which cover a small number of employees.

Certain services rendered by Volt's Electronic Publication and Typesetting Systems, Telephone Directory and Computer Systems segments require highly trained technical personnel in specialized fields, some of whom are currently in short supply and, while the Company currently has a sufficient number of such technical personnel in its employ, there can be no assurance that in the future these segments can continue to employ sufficient technical personnel necessary

for the successful conduct of such services.

The Company currently believes that its relations with its employees are satisfactory.

## REGULATION

The Company's business is not subject to specific industry government regulations. In connection with foreign sales, it is subject to export controls, including restrictions on the export of certain technologies. At the present time, and with respect to the countries in which the Company's Electronic Publication and Typesetting Systems, Telephone Directory and Computer Systems segments currently sell most of their products, the sale of their current products, both hardware and software, are permitted pursuant to a general export license. If the Company began selling to countries designated by the United States as sensitive, such sales would be subject to more restrictive export regulations.

Compliance with applicable present federal, state and local environmental laws and regulations has not had, and the Company believes that compliance with such laws and regulations in the future will not have, a material effect on the Company's earnings, capital expenditures or competitive position.

See also Management's Discussion and Analysis of Financial Condition and Results of Operations.

-18-

## ITEM 2. PROPERTIES

The Company occupies 44,000 square feet at 1221 Avenue of the Americas, New York, New York under a lease which expires in 2000. The facility serves as the Company's corporate headquarters, the headquarters of the Company's Computer Systems segment and a base for certain operations of its Staffing Services segment. The following table sets forth certain information as to each of the Company's other major facilities:

<TABLE>

<CAPTION>

Location	Business Segment	Sq. Ft. Leased or	If Leased, Year of Lease	Expiration
-----	-----	-----	-----	-----
<S> Anaheim, California	<C> Telephone Directory Computer Systems Telecommunications Services	<C>	39,000*	owned
El Segundo, California	Staffing Services Telecommunications Services		20,000	owned
Los Angeles, California	Electronic Publication and Typesetting Systems		52,000	1999
Orange, California	West Region Headquarters Accounting Center Staffing Services Telephone Directory Computer Systems		200,000*	owned
San Diego, California	Staffing Services		20,000	owned
Thousand Oaks, California	Electronic Publication and Typesetting Systems		134,000	owned
Norcross, Georgia	Electronic Publication and Typesetting Systems Staffing Services Telecommunications Services		13,000	2000

</TABLE>

-19-



ITEM 2. PROPERTIES--Continued

<TABLE>  
<CAPTION>

Location	Business Segment	Sq. Ft. Leased or	Owned	If Leased, Year of Lease	Expiration
-----	-----	-----		-----	
<S>	<C>	<C>		<C>	
Wallington, New Jersey	Computer Systems		32,000		2003
Blue Bell, Pennsylvania	Telephone Directory		52,000		2001
Montevideo, Uruguay	Telephone Directory		96,000		2001
Chantilly, Virginia	Telephone Directory Computer Systems Staffing Services		20,000		2000
Redmond, Washington	Staffing Services		21,000		2001
Sunbury on Thames, England	Computer Systems		14,000		2000

</TABLE>

\* See Note E of Notes to Consolidated Financial Statements for information regarding a term loan secured by these properties.

In addition, the Company leases space in approximately 260 other facilities worldwide (excluding month-to-month rentals), each of which consists of less than 10,000 square feet. These leases expire at various times from 1999 until 2004 (with one, in the United Kingdom, expiring in 2010).

At times, the Company leases space to others in the buildings which it owns, if it does not then require the space for its own business.

The Company believes that its facilities are adequate for its presently anticipated requirements and that it is not dependent upon any individually leased premises.

For additional information pertaining to lease commitments, see Note N of Notes to Consolidated Financial Statements.

-20-

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

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

Not applicable.

Executive Officers

WILLIAM SHAW, 74, a founder of the Company, has been President and Chairman of the Board of the Company since its inception and has been employed in executive capacities by the Company and its predecessors since 1950.

JEROME SHAW, 72, a founder of the Company, has been Executive Vice President and Secretary of the Company since its inception and has been employed in executive capacities by the Company and its predecessors since 1950.

IRWIN B. ROBINS, 64, has been a Senior Vice President of the Company since September 1985 and has been employed in executive capacities by the Company since 1980.

JAMES J. GROBERG, 70, has been a Senior Vice President and Principal Financial Officer of the Company since September 1985 and was also employed in executive capacities by the Company from 1973 to 1981.

STEVEN A. SHAW, 39, has been a Vice President of the Company since April 1997 and has been employed by the Company in various capacities since November 1995. For more than five years prior thereto, he controlled and operated a number of privately-held telecommunication services companies.

HOWARD B. WEINREICH, 56, has been General Counsel of the Company since September 1985 and has been employed in executive capacities by the Company since 1981.

JACK EGAN, 49, has been Vice President - Corporate Accounting and Principal Accounting Officer since January 1992 and has been employed in executive capacities by the Company since 1979.

DANIEL G. HALLIHAN, 50, has been Vice President - Accounting Operations since January 1992 and has been employed in executive capacities by the Company since 1986.

LUDWIG M. GUARINO, 47, has been Treasurer of the Company since January 1994 and has been employed in executive capacities by the Company since 1976.

William Shaw and Jerome Shaw are brothers. Steven A. Shaw is the son of Jerome Shaw. There are no other family relationships among the executive officers or directors of the Company.

-21-

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock has been traded on the New York Stock Exchange (NYSE Symbol-VOL) since May 7, 1997, prior to which it was included in The Nasdaq Stock Market National System. The following table sets forth the high and low prices of Volt's common stock, as reported by the NYSE since May 1997 and by Nasdaq, without retail mark-up, mark-down or commission, prior thereto:

<TABLE>  
<CAPTION>

Fiscal Period	1998		1997 (a)	
	High	Low	High	Low
First Quarter	\$70-1/4	\$38-3/4	\$33	\$22-1/3
Second Quarter	58-1/4	29-7/8	36-2/3	28-1/2
Third Quarter	34-3/16	26-1/16	56-3/4	36-1/2
Fourth Quarter	29	15-5/16	69-3/16	52-5/8

(a) Restated to reflect a three-for-two stock split, distributed in the form of a 50% stock dividend on May 27, 1997.

The approximate number of record holders of the Company's common stock at January 15, 1999 was 433.

Cash dividends have not been paid during the reported periods. The Company has agreements, which contain financial covenants, one of which requires the Company to maintain a consolidated net worth of \$140.3 million, increasing by 50% of consolidated net income for each completed fiscal year after the fiscal 1998 (see Note E of Notes to Consolidated Financial Statements). Therefore, the amount available for dividends at October 30, 1998 was \$60.9 million.

-22-

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>  
<CAPTION>

Year Ended (Notes 1 and 3)				
October 30, 1998	October 31, 1997	November 1, 1996	November 3, 1995	October 28, 1994

	(Dollars in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Net Sales	\$ 1,708,595	\$ 1,401,473	\$ 1,048,558	\$ 907,307	\$ 720,871
Income before extraordinary item	\$ 20,903	\$ 39,850 *	\$ 22,435 *	\$ 16,386	\$12,044 *
Extraordinary item - loss on redemption of debt, net of income taxes--Note 2			(87)	(62)	(271)
Net income	\$ 20,903	\$ 39,850	\$ 22,348	\$ 16,324	\$ 11,773

<CAPTION>

Per Share Data (Restated for stock splits in fiscal 1997 and 1995)

Basic:					
Income before extraordinary item	\$ 1.40	\$ 2.71	\$ 1.54	\$ 1.13	\$ 0.84
Weighted average number of shares	14,917,846	14,707,055	14,527,157	14,451,501	14,408,238
Diluted:					
Income before extraordinary item	\$ 1.37	\$ 2.62	\$ 1.52	\$ 1.12	\$ 0.83
Weighted average number of shares	15,253,665	15,182,240	14,799,665	14,672,711	14,469,711
Total assets	\$ 469,326	\$ 418,722	\$ 337,144	\$ 264,011	\$ 226,904
Long-term debt, net of current portion	\$ 54,048	\$ 55,447	\$ 57,395	\$ 28,819	\$ 40,788

</TABLE>

Note 1--Fiscal years 1994 and 1996 through 1998 were comprised of 52 weeks, while fiscal year 1995 was comprised of 53 weeks.

Note 2--See Note E of Notes to Consolidated Financial Statements for fiscal year 1996. The fiscal year 1995 and 1994 extra- ordinary losses were due to the early redemption (\$10.0 million in 1995 and \$30.0 million in 1994) of debentures.

Note 3--Cash dividends have not been paid during the five-year period ended October 30, 1998.

\* The results of operations include the following gains and (losses) on the write-down of investments in 1997 and the sale of marketable securities in 1996 and 1994: 1997 - (\$3.0 million, \$1.8 million, net of taxes) or (\$0.12 per share); 1996 - \$52,000 and 1994 - (\$7,000).

The results for the fiscal year ended October 31, 1997 included a gain of \$12.8 million (\$7.9 million, net of taxes, or \$0.52 per share) on the sale of the Company's interest in an Australian joint venture.

The results for the fiscal year ended November 1, 1996 included gains aggregating \$2.6 million (\$1.6 million, net of taxes, or \$0.11 per share) as a result of an agreement to pay a premium to an insurance carrier to close out prior years' retrospective insurance policies at an amount less than related liabilities for workers' compensation insurance previously provided by the Company.

In October 1996, the Internal Revenue Service concluded its examination of the Company's tax returns for fiscal years 1989 through 1993. As a result of the examination, \$1.4 million (\$0.09 per share) and \$723,000 (\$443,000, net of taxes, or \$0.03 per share) were included as a tax benefit and interest income, respectively, for the fiscal year ended November 1, 1996.

-23-

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

The information which appears below relates to prior periods, the results of operations for which periods are not necessarily indicative of the results which may be expected for any subsequent periods. Management has made no predictions or estimates as to future operations and no inferences as to future operations should be drawn.

The following discussion should be read in conjunction with the Industry Segment Data in Item 1 of this Report and the Consolidated Financial Statements and Notes thereto which appear in Item 8 of this Report.

## Fiscal Year 1998 Compared to Fiscal Year 1997

### Results of Operations - Summary

Sales in fiscal 1998 increased by \$307.1 million, or 22%, to \$1.7 billion from \$1.4 billion in fiscal 1997. The increase in sales in 1998 was primarily attributable to increases in the Staffing Services segment of \$293.4 million.

The Company's income before income taxes, equity in joint venture earnings and minority interests decreased by \$19.8 million, or 36%, in 1998 to \$35.8 million. The 1997 results included a pretax gain of \$12.8 million on the sale of the Company's interest in an Australian joint venture, partially offset by a \$3.0 million pretax charge to earnings to fully reserve an investment in a PCS/wireless company. Segment profit decreased by \$8.7 million, or 14%, to \$51.4 million in 1998. The decrease in segment profit in 1998 was from the Telecommunications segment, with a decrease of \$6.9 million, the Computer Systems segment, with a decrease of \$3.1 million, and the Telephone Directory segment, with a decrease of \$3.1 million. These were partially offset by increases in the operating profits of the Staffing Services segment, with an increase of \$2.7 million, and the Electronic Publication and Typesetting Systems segment, with an increase of \$1.6 million.

Consolidated 1997 results included earnings of \$6.8 million from the Company's Australian and Brazilian joint ventures, both of which were sold in 1997.

Net income in fiscal 1998 and 1997 was \$20.9 million and \$39.9 million, respectively.

### Results of Operations - Segments

The Company's consolidated segment profit was \$51.4 million in fiscal 1998, compared with \$60.1 million in fiscal 1997 (see Industry Segment Data in Item 1 of this Report and Note J of Notes to Consolidated Financial Statements in Item 8 of this Report).

The Staffing Services segment's sales increased by \$293.4 million, or 29%, in fiscal 1998 to \$1.3 billion. Segment profit increased by \$2.7 million, or 9%, to \$33.5 million in fiscal 1998. Approximately \$127.7 million, or 44%, of the segment's 1998 sales increase was due to pass-through costs, primarily related to the use of subcontractors to service large national contracts, which increased from \$154.4 million to \$282.1 million in 1998. In fiscal 1998, approximately \$39.7 million of the segment's sales increase resulted from business with new customers. The remaining increase of \$126.0 million was with existing customers. The increase in the segment's operating profit was due to the increase in sales volume, partially offset by a decrease in gross margin of approximately 0.8 percentage points and higher overhead costs. The decrease in gross margin percentage was due to the higher associate vendor usage, a substantial portion of which is billed without a mark-up, and lower margins on the

-24-

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

### Fiscal Year 1998 Compared to Fiscal Year 1997--Continued

#### Results of Operations - Segments--Continued

increasing business with large national managed service accounts. Downward pressure on this segment's margins have occurred over the past several years due to a trend in the industry for large customers to consolidate their use of contingent workers to single source providers.

Overhead costs increased due to start-up costs in connection with the opening of new temporary personnel or commercial placement offices to service national accounts, related infrastructure costs as additional regional and area management is required to support expansion and higher recruiting costs in the contracting labor market. Some of the segment's customers are large, and the loss of any large contract could have a negative effect on this segment's business unless, and until, the business is replaced. Although the markets for the segment's services include a broad range of industries throughout the United States, general economic difficulties in specific geographic areas or industrial

sectors have in the past, and could in the future, affect the profitability of this segment.

The Telephone Directory segment's sales decreased by \$355,000, or 0.4%, to \$89.2 million in fiscal 1998. Segment profit decreased by \$3.1 million, or 34.4%, to \$5.8 million. The sales decrease was due to decreased production revenue of 9% and decreased system sales of 57%, offset, in large part, by increased independent directory sales of 35%. The decreased production revenue and sales of systems used in production was due to the expiration in June 1998 of a contract with one customer, which accounted for 12% of the segment's sales in 1998, and the absence of significant systems contracts as the segment transitions its emphasis from providing production services and systems to the publishing of telephone directories. The increase of independent directory sales was primarily attributable to thirty-three new directories published in fiscal 1998, a substantial portion of which were acquired in fiscal 1997 and fiscal 1998. The decrease in segment profit in fiscal 1998 was due to the expiration of the production contract, which accounted for 28% of the segment's operating profit in 1998, lower high-margin systems sales, and increased selling and administrative costs to support the growth of independent directory sales discussed above, as well as anticipated future growth. The effects of the higher costs were partially offset by the increase in independent directory sales. This segment's services are rendered under various short and long-term contracts, some of which expired in 1998, while others were renewed and new contracts were awarded to the segment. Other contracts are scheduled to expire through 2001. While the segment believes it can secure renewals and/or extensions of some of the contracts which are scheduled to expire, some of which are material to this segment, and obtain replacement business, there can be no assurance that contracts will be renewed or extended, or that additional or replacement contracts will be awarded to the segment on satisfactory terms.

The Telecommunications Services segment's sales increased by \$22.6 million, or 16%, to \$168.8 million in 1998. This segment's profit decreased by \$6.9 million, or 37%, in fiscal 1998 to \$11.9 million. The sales increase was due to a 112% increase in the Central Office group and a 64% increase in the Business Systems group. Operating results decreased due to a 3.5 percentage point decrease in gross margins and higher overhead costs. The decrease in gross margin percentage was due to increased sales volume of lower-margin business system services and a shift toward lower-margin projects in construction services as customers favored fixed-price and competitively-bid awards. The increased overhead costs are the result of increased sales growth and the geographic expansion of this segment. A substantial portion of the business in this segment is obtained through submission of competitive

-25-

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

Fiscal Year 1998 Compared to Fiscal Year 1997--Continued

Results of Operations - Segments--Continued

proposals for contracts that typically expire in one to three years and are then rebid. While the segment has obtained various short and long-term contracts, margins under such contracts have decreased in many instances. One construction contract expired in fiscal 1998 and was not renewed; another expired in December 1998 and has been extended for three months while renewal is being negotiated. A significant Business Systems customer decided to exit a certain market in mid-1998 and focus on a new market. The division's sales and operating profit will be dependent on the customer's success in penetrating the new market. Other contracts that expired in 1998 were renewed, and others will expire in 1999 through 2002. While the Company believes it can secure renewals and/or extensions of some of these contracts which are scheduled to expire, some of which are material to this segment, and obtain replacement business, there can be no assurance that contracts will be renewed or extended or that additional or replacement contracts will be awarded to the Company on satisfactory terms.

The Computer Systems segment's sales decreased by \$10.7 million, or 15%, to \$59.5 million in fiscal 1998. The segment incurred a loss in fiscal 1998 of \$2.9 million, compared to a profit of \$247,000 in fiscal 1997. The decrease in sales was due to lower system enhancement sales and a decrease in sales of conservation services to utilities, resulting from the phase-out of several large contracts with customers which no longer require the segment's services. The segment loss was due to lower sales volume of conservation services and the

reduction, in fiscal 1998, of high-margin system enhancement sales which benefited operating profit in fiscal 1997, as well as continued start-up costs related to the transition of providing customers with transaction-based outsourcing services. Although the segment has been successful in fiscal 1998 in obtaining new contracts for these services, there can be no assurance that additional customers can be obtained or that the customers' volume of transactions will be at a level to enable the segment to return to profitability. However, in fiscal 1999 the segment expects to receive final acceptance and recognize sales and operating profit related to a significant operator services system in Holland which is being accounted for under the completed contract method of accounting.

The Electronic Publication and Typesetting Systems segment's sales increased by \$3.0 million, or 4%, to \$87.6 million in fiscal 1998. The segment profit in fiscal 1998 was \$3.1 million, compared to \$1.5 million in fiscal 1997. The increase in sales resulted from a \$4.0 million increase in sales of systems and equipment offset in part by a decrease of \$1.0 million in customer service sales. The increased sales of systems and equipment were due to increased demand and customer purchases to replace older equipment. The increase in segment profit was primarily the result of the increased sales. The markets in which the segment competes are subjected to rapidly changing technology, with sales in fiscal years 1998 and 1997 of equipment introduced within the three years prior to the applicable fiscal year comprising approximately 88% and 86%, respectively, of equipment sales.

#### Results of Operations - Other

Selling and administrative expenses increased \$8.1 million, or 15%, to \$62.1 million in fiscal 1998 to support the increased sales levels. These expenses expressed as a percentage of sales were 3.6% in fiscal 1998 and 3.8% in fiscal 1997.

-26-

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

#### Fiscal Year 1998 Compared to Fiscal Year 1997--Continued

##### Results of Operations - Other--Continued

Research, development and engineering expenses decreased by \$3.2 million, or 22%, to \$11.1 million in 1998. The decrease in fiscal 1998 was primarily due to a reduction in product development in the Computer Systems segment as new products and services were completed and introduced to new and existing customers.

Depreciation and amortization increased by \$274,000, or 1%, to \$20.8 million in 1998. The fiscal 1998 increase was attributable to amortization of intangibles due to acquisitions made in fiscal 1997 and fiscal 1998. (See Notes H and J of Notes to Consolidated Financial Statements).

Interest income increased by \$780,000, or 46%, in fiscal 1998 primarily as a result of increased funds invested due to cash received from the sale of the Company's Australian joint venture at the end of fiscal 1997.

Other income (expense) decreased by \$753,000 in fiscal 1998, primarily due to a non-recurring charge of \$650,000 for professional fees in connection with a terminated transaction.

The Company's equity in net income of its joint ventures was \$6.8 million in 1997. In September 1997, the Company sold its interest in its Australian joint venture resulting in a pretax gain of \$12.8 million. In January 1997, the Company sold its 50% interest in its Brazilian joint venture. In connection with that sale, the Company continued to grant credit and guarantee the venture's obligation with respect to certain import financing, principally for the printing of telephone directories by the Company's Uruguayan division, and therefore, had deferred the gain on the sale. During fiscal 1998, the venture repaid certain of its obligations and accordingly, \$500,000 of the previously deferred gain was recognized in fiscal 1998. The \$2.0 million balance of the deferred gain will be recognized as the Company's Uruguayan division collects its receivables from Telelistas which is anticipated to occur in fiscal 1999.

The foreign exchange loss in fiscal 1998 was \$391,000, compared to a gain in

fiscal 1997 of \$52,000. The loss in fiscal 1998 was due to unfavorable, and the gain in fiscal 1997 was due to favorable, currency movements in the European currency market. To minimize the potential adverse impact on the Company's foreign currency receivables and sales when the dollar strengthens against foreign currencies, foreign currency options and forward contracts are purchased.

See Note F of Notes to Consolidated Financial Statements for information concerning the Company's effective tax rates for fiscal years 1998 and 1997.

-27-

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

Fiscal Year 1997 Compared to Fiscal Year 1996

##### Results of Operations - Summary

Sales in fiscal 1997 increased by \$352.9 million, or 34%, from fiscal 1996. The increase in sales in 1997 was primarily attributable to increases in the Staffing Services segment and the Telecommunications Services segment of \$304.5 million and \$54.7 million, respectively.

The Company's income before income taxes, equity in joint venture earnings, minority interests and extraordinary item increased by \$19.9 million, or 56%, in 1997 to \$55.6 million. Fiscal 1997 results included a \$12.8 million pretax gain on the sale of the Company's interest in an Australian joint venture and was reduced by a \$3.0 million pretax charge to earnings, to fully reserve an investment in a PCS/wireless company. Segment profit increased by \$14.9 million, or 33%, to \$60.1 million in fiscal 1997. The increase in segment profit in fiscal 1997 was primarily from the Telecommunications segment, with an increase of \$9.2 million, the Electronic Publication and Typesetting Systems segment, with an increase of \$5.6 million, the Telephone Directory segment, with an increase of \$4.0 million, and the Staffing Services segment, with an increase of \$3.4 million. These were partially offset by a decrease in the segment profit of the Computer Systems segment of \$7.5 million.

Consolidated fiscal 1997 results included earnings of \$6.8 million from its Australian and Brazilian joint ventures, both of which were sold in fiscal 1997.

The extraordinary item in fiscal 1996 consisted of a loss of \$87,000 due to the retirement at par of the remaining \$22.9 million face value of the Company's 12-3/8% Senior Subordinated Debentures.

Net income in fiscal 1997 and 1996 was \$39.9 million and \$22.3 million, respectively.

##### Results of Operations - Segments

The Company's consolidated segment profit was \$60.1 million in fiscal 1997, compared to \$45.2 million in fiscal 1996. (See Industry Segment Data in Item 1 of this Report and Note J of Notes to Consolidated Financial Statements in Item 8 of this Report).

The Staffing Services segment's sales increased by \$304.5 million, or 43%, in fiscal 1997 to \$1.02 billion. Segment profit increased by \$3.4 million, or 12%, to \$30.8 million in fiscal 1997. Approximately \$82.9 million, or 27%, of the segment's 1997 sales increase was due to pass-through costs primarily related to the use of associate vendors to service large national contracts, which increased from \$71.5 million to \$154.4 million in 1997. In fiscal 1997, approximately \$74.5 million of the segment's sales increase resulted from business with new customers, including \$39.2 million from one such customer. The remaining increase of \$154.9 million was with existing customers, partially offset by the loss of \$7.8 million of sales to a high margin customer which, since April 1996, has no longer required the segment's services. The increase in the segment profit was due to the increase in sales volume, partially offset by a decrease on gross margin of approximately 0.9 percentage points, higher overhead costs and the absence, in 1997, of a non-recurring 1996 favorable \$2.1 million retrospective workers' compensation insurance adjustment.

-28-

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

## Fiscal Year 1997 Compared to Fiscal Year 1996--Continued

### Results of Operations - Segments--Continued

The Telephone Directory segment's sales increased by \$11.0 million, or 14%, to \$89.6 million in fiscal 1997. In fiscal 1997, the segment profit increased by \$4.0 million, or 83%, to \$8.9 million. The fiscal 1997 sales increase was due to an 8% increase in telephone directory production volume, an increase in independent directory sales of 9%, increased sales by its Uruguayan operation of 14%, increased telemarketing sales of 62% and increased system sales of 35%. The increase in operating profit in fiscal 1997 was due to the sales increases and a 4.4 percentage point decrease in total operating expenses expended per sales dollar and the absence in 1997 of non-recurring costs incurred in 1996 by the Uruguay operation resulting from a move to a new facility and installation of new equipment.

The Telecommunications Services segment's sales increased by \$54.7 million, or 60%, to \$146.2 million in 1997. Segment profit increased by \$9.2 million, or 97%, in fiscal 1997 to \$18.7 million. The fiscal 1997 sales increase was due to a 163% increase in the Advanced Technology Services group, a 46% increase in the Construction group and a 59% increase in the Business Systems group. Operating results improved due to the increased sales volume and a 2.5 percentage point increase in gross margins.

The Computer Systems segment's sales decreased by \$8.9 million, or 11%, to \$70.2 million in fiscal 1997. The segment profit in fiscal 1997 was \$247,000, compared to \$7.7 million in fiscal 1996. Fiscal 1997 and 1996 sales included revenues of \$24.4 million and \$27.6 million, respectively, recognized on customer acceptance of several system enhancement sales. The decrease in sales and operating profit was primarily due to decreased sales and profits on conservation services to utilities due to the phase-out under a large contract with a customer which no longer required the segment's services. This customer accounted for approximately 9% of the segment's revenues and 46% of the segment's operating profit for fiscal 1996. The decrease in sales of system enhancements and the start-up costs related to Directory Express, a new transaction-based outsourcing service, further reduced operating profits.

The Electronic Publication and Typesetting Systems segment's sales decreased by \$4.3 million, or 5%, to \$84.6 million in fiscal 1997. However, the segment profit in fiscal 1997 of \$1.5 million, compared to a loss of \$4.1 million in fiscal 1996. Since January 29, 1996, the segment has been comprised of the Company's former Autologic Incorporated subsidiary and related foreign subsidiaries ("Autologic"), which were combined on that date with Information International, Incorporated ("Triple-I"). The results of operations for fiscal 1996 reflect the three-month results of Autologic on a stand-alone basis and the nine-month results of the merged operations, while results for fiscal 1997 reflect the results of the merged operations for all twelve months. The fiscal 1997 sales decrease resulted from a decrease in sales of systems and equipment, primarily in the European market, partially offset by an increase in customer service sales in the domestic market. The increased profitability in fiscal 1997 was due to a 9.0 percentage point improvement in gross margins and the absence of a \$700,000 restructuring charge related to the merger which was recorded in the first quarter of fiscal 1996, partially offset by the decreased sales volume, an increase in operating expenses and charges in 1997 of \$2.1 million (compared to \$1.6 million in 1996) for amortization of intangibles resulting from the merger. Systems and equipment gross margins increased by 11.1 percentage points, principally due to a change in the product mix (an increase in sales of some high margin products and a decrease in sales of some low margin products), lower manufacturing costs and reduced

-29-

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

### Fiscal Year 1997 Compared to Fiscal Year 1996--Continued

#### Results of Operations - Segments--Continued

competition. Customer service gross margins improved by 6.6 percentage points, due primarily to workforce reductions. Operating expenses increased due to the development of additional products and expansion into new markets. The markets in which the segment competes are marked by rapidly changing technology, with



sales in fiscal years 1997 and 1996 of equipment introduced within the three years prior to the applicable fiscal years comprising approximately 86% and 98%, respectively, of equipment sales.

#### Results of Operations - Other

Research, development and engineering expenses decreased by \$65,000, or less than 1%, to \$14.3 million in fiscal 1997. A reduction in product development by the Telephone Directory segment was partially offset by increases by the Computer Systems and Electronic Publication and Typesetting Systems segments.

Depreciation and amortization increased by \$4.2 million, or 26%, to \$20.5 million in fiscal 1997. The fiscal 1997 increase was due to increased fixed asset expenditures in fiscal years 1996 and 1997 and a full year of amortization of intangibles in fiscal 1997, compared to nine months of amortization in fiscal 1996, resulting from the 1996 Autologic transaction.

Interest income decreased by \$1.4 million, or 45%, in fiscal 1997. The decrease in fiscal 1997 was primarily attributable to \$723,000 of interest income received in fiscal 1996 on a tax refund from the Internal Revenue Service as the result of the completion of an examination of the Company's tax returns for fiscal years 1989 to 1993, and due to the use of available funds to eliminate sales of receivables under the Company's former securitization program.

Other income (expense) changed favorably by \$1.2 million in fiscal 1997, primarily due to \$1.6 million of lower fees resulting from the elimination in the first half of fiscal 1997 of sales of receivables under the Company's former securitization program, partially offset by an increase in sundry expenses.

The Company's equity in net income of its joint ventures was \$6.8 million in fiscal 1997, compared to a \$1.4 million loss in fiscal 1996. The improvement was due to an increase in the Company's portion of earnings from its Brazilian and Australian joint ventures. In September 1997, the Company sold its interest in the Australian joint venture resulting in a pretax gain of \$12.8 million. In January 1997, the Company sold its 50% interest in the Brazilian joint venture. The Company's portion of profits earned by the venture of \$3.2 million was included in equity in net income (loss) of joint ventures (see Note G of Notes to Consolidated Financial Statements).

The foreign exchange gain in fiscal year 1997 was \$52,000, compared to a loss in 1996 of \$516,000. The gain in 1997 was due to favorable, and the loss in 1996 was due to unfavorable, currency movements in the European currency markets.

Interest expense increased by \$489,000, or 9%, to \$5.7 million in 1997. The increase was primarily due to an increase in long-term debt resulting from the issuance in a private placement, in August 1996, of \$50.0 million of

-30-

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

##### Fiscal Year 1997 Compared to Fiscal Year 1996--Continued

##### Results of Operations - Other-- Continued

7.92% Senior Notes, offset, in part, by the retirement of \$22.9 million face value of 12-3/8% Senior Subordinated Debentures in September 1996, using proceeds from the private placement. In fiscal 1997 and 1996, other income reflects charges of \$316,000 and \$2.0 million, respectively, for costs incurred in conjunction with the sale of accounts receivable (see Note C of Notes to Consolidated Financial Statements).

See Note F of Notes to Consolidated Financial Statements for information concerning the Company's effective tax rates for fiscal years 1997 and 1996.

##### Liquidity and Capital Resources

Cash and cash equivalents decreased by \$22.6 million in 1998 to \$31.6 million.

Cash of \$6.8 million was provided by operating activities in fiscal 1998. Primary among the factors providing cash flows to operating activities in fiscal 1998 was the Company's net income of \$20.9 million, augmented by \$20.8 million of depreciation and amortization, and increases in accounts payable of \$29.9

million primarily due to an increased use of associated vendors by the Staffing Services segment to service national accounts. Among the principal applications of cash in operating activities in fiscal 1998 were an increase in the level of accounts receivable of \$63.2 million due to increased sales with new and existing customers.

The principal factors in cash applied to investing activities of \$29.9 million were \$22.4 million of purchases of property, plant and equipment and \$6.8 million of acquisitions of various directories and a staffing services business.

The principal factor in cash applied to financing activities of \$419,000 was the payment of \$1.9 million of long-term debt partially offset by \$1.5 million from the exercise of stock options.

In addition to its cash and cash equivalents, at October 30, 1998, the Company had \$88 million of credit lines with banks, of which \$75.0 million is under a revolving credit agreement that is not scheduled to expire until January 2002 and may, subject to meeting certain conditions, be renewed. The Company had outstanding bank borrowings of \$4.1 million at October 30, 1998 under such lines. After taking account of the acquisition of Gatton, described below, the Company increased its outstanding bank borrowings to \$39.1 million during December 1998.

In December 1998, Volt acquired Gatton Computing Group Limited ("Gatton"), a provider of IT contracting and managed services in the United Kingdom and continental Europe. The purchase price was approximately \$35 million of cash.

In fiscal 1998, the Company formed a joint venture with TELUS Corporation to publish community telephone directories in the Western half of the United States. Each partner has committed \$25 million for acquisitions, start-up and operations of the venture. The joint venture has not yet acquired any directories.

-31-

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

##### Liquidity and Capital Resources--Continued

The Company believes its current financial position, credit lines and future cash flows will be sufficient to fund its presently contemplated operations and satisfy its debt obligations. The Company may determine, from time-to-time in the future, to buy shares of its common stock.

The Company has no material capital commitments, except for approximately \$6.0 million to purchase an Enterprise Resource Planning System for internal use. This system is being purchased to satisfy the Company's ongoing information technology requirements. Current systems are in the process of being made Year 2000 compliant. This sum includes part of the purchase price for the system together with an initial support contract. The total cost to purchase and install this system, including computer hardware, implementation and other consulting services is anticipated to be approximately \$15 million, a substantial portion of which will be capitalized and amortized over 7 years. It is anticipated that financing for a large portion of this amount will be available from the vendors.

##### Year 2000 Compliance

The Year 2000 issues have arisen as a result of computer programs being written using two digits rather than four to define the applicable year. Programs that have time sensitive software may therefore recognize "00" as the year 1900 rather than the year 2000, which could result in major system failures or miscalculations.

##### State of Readiness

The Company utilizes software and related technologies throughout its businesses that will be affected by the issues associated with the programming code in existing systems as the Year 2000 approaches. Volt's Enterprise-Wide Year 2000 Compliance Assurance Program (the "Program") was initiated during 1997, in order that the Company's internal systems and products offered for sale will continue to meet its internal needs and those of its customers.

The Program involves Volt employees and consultants identifying, correcting and reprogramming, and testing all of its computer equipment and software for Year 2000 compliance. For this purpose, computer equipment and software includes systems that are commonly thought of as Information Technology ("IT") systems, as well as non IT systems such as alarm systems, fax machines, etc. which may contain embedded technology which is time sensitive.

The Program required that the individual business units of the Company formally develop a plan to ensure Year 2000 compliance. The Program was divided into the following phases:

- Identification and inventory of all computer equipment and software
- Initial system assessment, including assessment of risk
- System corrections and implementation of corrections
- Testing of systems including any systems corrections and replacement systems

The Program was segmented to cover both internal systems and company products. The Company has established a policy that all current products be Year 2000 compliant and that new products are tested for Year

-32-

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

Year 2000 Compliance--Continued

2000 compliance. The testing of current products is currently in progress, and that of new products is ongoing. Users of older non-compliant products have been notified of the requirement to upgrade, if required.

The Company has addressed the Year 2000 issue with the suppliers of systems on which certain of the Company's systems rely and with which significant electronic commerce is conducted, and has requested verification that they will be compliant on a timely basis. To that end, the Company has been and will continue to work closely with those vendors to ascertain that Year 2000 compliance is achieved. The Company is not aware of any significant third party that has a compliance issue which would materially impact the Company's results of operations, liquidity or capital resources. However, the Company has no means to ensure that such third parties will in fact be Year 2000 compliant, and the inability of third parties to be compliant in a timely fashion could have a material adverse impact on the Company. The effect of non-compliance by a third party is not determinable.

The readiness target date was December 31, 1998. Although this date was not met for every system, the Program is at an advanced stage. The identification, inventory and the initial and risk assessment stages of the program have been completed, and those systems critical to the Company's business have had corrections provided and have either been tested or are in the process of being tested. It is presently anticipated that the entire Program will have been completed by June 1999.

Based on ongoing assessments of current progress and future plans, the Company believes that the Year 2000 date will not significantly affect its ability to deliver services and products to its customers on a timely basis. No issues have been encountered, nor are any anticipated, which would materially affect the Company's ability to continue operations.

Costs of Addressing Year 2000 Issues

The Company's cost of Year 2000 remediation is estimated at \$4.7 million through the end of 1999. The actual and estimated future costs are as follows:

<TABLE>  
<CAPTION>

	Costs through October 30, 1998	Estimated Future Costs	Total
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Internal Systems	\$1,400	\$1,200	\$2,600
Product Line	1,200	900	2,100

Total Costs	----- \$2,600 =====	----- \$2,100 =====	----- \$4,700 =====
-------------	---------------------------	---------------------------	---------------------------

</TABLE>

The above costs include the costs of identification, system corrections and testing and are expensed as incurred. The estimated future costs include the continued testing of all systems including the extensive testing of the software where corrections have been made by external consultants and returned to the Company. In addition to the above, the Company has also purchased and will purchase in 1999 new hardware and software which

-33-

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

Year 2000 Compliance--Continued

replaces older non-compliant systems. These new systems were required to meet the Company's increasing information requirements, in addition to the requirements for Year 2000 compliance. The estimated costs of such systems is \$1.4 million, and will be capitalized.

Risks of the Company's Year 2000 Issues

The Company believes it has an effective program in place to resolve the Year 2000 issue in a timely manner. As noted above, the Company has not yet completed all necessary phases of the program. Failure to correct a material Year 2000 issue could result in an interruption to, or a failure of, normal business activities or operations. Such an interruption, or failure, could materially adversely affect the Company's results of operations, liquidity and financial condition. In addition, disruption in the economy in general resulting from Year 2000 issues could also materially adversely impact the Company. The amount of potential liability and lost revenue can not be reasonably estimated at this time.

However, all of the Company's internal systems and product lines have been thoroughly reviewed and a substantial portion of the testing has been completed. Corrections of systems which are more critical to the operations of the Company were prioritized and the efforts were focused on these systems first.

The Company's Contingency Plans

Although the Company believes that both its internal systems and product lines will be compliant in a timely manner, the Company is in the process of developing contingency plans and expects to be finished in the early part of 1999. Such plans will include back up stand alone systems, methods not relying on computers, and the identification and commitment of alternate suppliers and vendors. Those business units supplying products dependent on time sensitive computer systems will have teams of technicians available to assist customers with any Year 2000 issues which are not revealed until after December 31, 1999.

The Company does not anticipate that problems of this nature will be significant due to thorough testing of its product line.

-34-

ITEM 7A - QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk exposure in the following areas:

Interest Rate Market Risk

The Company has cash equivalents on which interest income is earned at variable rates. The Company also has credit lines with various domestic and foreign banks which provide for unsecured borrowings and letters of credit up to an aggregate of \$88 million. At October 30, 1998 the Company had borrowings totaling \$4.1 million under these agreements and, in addition, during December 1998, the Company borrowed an additional \$35 million. The interest rates on these borrowings are variable and therefore interest expense and interest income is affected by the general level of U.S. and foreign interest rates. Increases in

interest expense resulting from an increase in interest rates would be offset to some extent by a corresponding increase in interest income from cash equivalents.

The Company's long-term debt consists substantially of borrowings at fixed interest rates, and the Company's interest expense related to these borrowings is not exposed to changes in interest rates in the near term.

#### Equity Price Risk

The Company holds short-term investments in mutual funds for the Company's deferred compensation plan, and non-current investments consisting of a portfolio of equity securities. The total market value of these investments is \$2.6 million and based on this value the Company does not believe that its exposure to market risk from these investments is material.

#### Foreign Exchange Market Risk

The Company has a number of overseas subsidiaries whose financial statements are translated using the accounting policies described in Note A of Notes to the Consolidated Financial Statements. The Company is subject to exposure from the risk of currency fluctuations as the value of the foreign currency fluctuates against the dollar, which may impact reported earnings. The Company attempts to reduce these risks by utilizing foreign currency option contracts to hedge the adverse impact on foreign currency receivables and sales when the dollar strengthens against the related foreign currency. At October 30, 1998, the Company had purchased foreign currency options in the aggregate notional amount of \$7.5 million, which approximated its exposure in foreign currencies at that date. The Company does not believe that it is exposed to material foreign exchange market risk.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

-35-

ERNST & YOUNG LLP      787 Seventh Avenue      Phone #: 212-773-3000  
New York, New York 10019

#### REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Volt Information Sciences, Inc.

We have audited the accompanying consolidated balance sheets of Volt Information Sciences, Inc. and subsidiaries as of October 30, 1998 and October 31, 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended October 30, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a)(2). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volt Information Sciences, Inc. and subsidiaries at October 30, 1998 and October 31, 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 30, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the

information set forth therein.

Ernst & Young LLP

December 15, 1998

-36-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	October 30, 1998	October 31, 1997
	-----	-----
	(Dollars in thousands)	
	<C>	<C>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents--Note A	\$ 31,625	\$ 54,234
Short-term investments--Notes A, B and M	1,099	105
Trade accounts receivable less allowances of \$5,822 (1998) and \$5,067 (1997)--Note E and Schedule II	286,655	227,548
Inventories--Notes A and C	38,997	35,953
Deferred income taxes--Notes A and F and Schedule II		8,065
Prepaid expenses and other assets	7,005	9,832
	-----	-----
<b>TOTAL CURRENT ASSETS</b>	<b>373,446</b>	<b>335,774</b>
Investment in securities--Notes A and B and Schedule II	1,489	750
Property, plant and equipment, net--Notes A, E and J	67,564	62,495
Deferred income taxes and other assets--Notes A and F	7,190	5,629
Intangible assets-net of accumulated amortization of \$12,553 (1998) and \$9,399 (1997)--Notes A and H	19,637	14,074
	-----	-----
	<b>\$ 469,326</b>	<b>\$ 418,722</b>
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable to banks--Note D	\$ 4,128	\$ 4,410
Current portion of long-term debt--Note E	1,399	1,949
Accounts payable	91,377	59,589
Accrued wages and commissions	39,457	34,065
Accrued taxes other than income taxes	13,798	13,600
Accrued insurance	3,609	11,005
Accrued interest and other accruals	10,637	10,575
Customer advances and other liabilities	23,480	20,518
Income taxes--Notes A and F	6,725	10,608
	-----	-----
<b>TOTAL CURRENT LIABILITIES</b>	<b>194,610</b>	<b>166,319</b>
LONG-TERM DEBT--Note E	54,048	55,447
MINORITY INTERESTS--Note H	19,446	19,388
<b>STOCKHOLDERS' EQUITY--Notes A, B, E, I and K and Schedule II Preferred stock, par value \$1.00; Authorized--500,000 shares; issued--none Common stock, par value \$.10; Authorized--30,000,000 shares; issued--15,006,164 (1998) and 14,883,143 shares (1997)</b>		
	1,501	1,488
Paid-in capital	37,127	34,894
Retained earnings	162,258	141,355
Unrealized gain on securities	450	
Cumulative foreign currency translation adjustment	(114)	(169)
	-----	-----
	<b>201,222</b>	<b>177,568</b>
	-----	-----

COMMITMENTS--Note N

\$ 469,326    \$ 418,722

</TABLE>

See Notes to Consolidated Financial Statements

-37-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

<TABLE>

<CAPTION>

	YEAR ENDED		
	October 30, 1998	October 31, 1997	November 1, 1996
	(Dollars in thousands, except per share data)		
	<C>	<C>	<C>
NET SALES:			
Sales of services	\$ 1,621,375	\$ 1,317,276	\$ 960,438
Sales of products	87,220	84,197	88,120
	-----	-----	-----
	1,708,595	1,401,473	1,048,558
	-----	-----	-----
COSTS AND EXPENSES:			
Cost of sales			
Services	1,524,226	1,213,652	870,911
Products	51,145	49,709	58,746
Selling and administrative	62,066	54,008	52,848
Research, development and engineering		11,076	14,301
Depreciation and amortization		20,768	16,299
	-----	-----	-----
	1,669,281	1,352,164	1,013,170
	-----	-----	-----
OPERATING PROFIT	39,314	49,309	35,388
OTHER INCOME (EXPENSE):			
Interest income	2,469	1,689	3,095
(Loss) gain on securities--Note B		(3,000)	52
Other (expense) income-net--Notes E and K		(353)	400
Gain on sale of joint ventures--Note G		500	12,807
Gain on sale of interest in subsidiaries--Note H			3,666
Foreign exchange (loss) gain - net	(391)	52	(516)
Interest expense	(5,712)	(5,656)	(5,167)
	-----	-----	-----
Income before items shown below	35,827	55,601	35,701
Income tax provision--Notes A and F		(14,856)	(22,797)
Equity in net income (loss) of joint ventures--Note G			6,824
Minority interests in net (income) loss of subsidiaries--Note H		(68)	222
	-----	-----	-----
Income before extraordinary item	20,903	39,850	22,435
Extraordinary item-loss on redemption of debt, net of income taxes--Note E			(87)
NET INCOME	\$ 20,903	\$ 39,850	\$ 22,348
	=====	=====	=====

<CAPTION>

	Per Share Data		
	-----	-----	-----
Basic:			
Income before extraordinary item	\$ 1.40	\$ 2.71	\$ 1.54
Extraordinary item		(0.01)	
	-----	-----	-----
NET INCOME	\$ 1.40	\$ 2.71	\$ 1.53
	=====	=====	=====
Weighted average number of shares--Note A	14,917,846	14,707,055	14,527,157

Diluted:

Income before extraordinary item	\$ 1.37	\$ 2.62	\$ 1.52
Extraordinary item		(0.01)	

NET INCOME	\$ 1.37	\$ 2.62	\$ 1.51
------------	---------	---------	---------

Weighted average number of shares--Note A	15,253,665	15,182,240	14,799,665
---	------------	------------	------------

</TABLE>

See Notes to Consolidated Financial Statements.

-38-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	Common Stock \$.10 Par Value Shares	Paid-In Capital	Cumulative Foreign Retained Earnings	Currency Translation Adjustment	Unrealized Gain (Loss) On Marketable Securities		
	(Dollars in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance at November 3, 1995	9,664,794	\$ 966	\$27,098	\$ 79,157	\$ (168)		\$ 74
Contribution to ESOP	18,349	2	498				
Stock awards	600	11					
Stock options exercised, including related tax benefit of \$64	8,400	1	156				
Unrealized foreign currency translation adjustment-net of taxes of \$93				164			
Unrealized loss on marketable securities-net of \$45 tax benefit					(70)		
Net income for the year			22,348				
Balance at November 1, 1996	9,692,143	969	27,763	101,505	(4)		4
Contribution to ESOP	12,423	1	499				
Stock awards	1,000	29					
Stock options exercised, including related tax benefit of \$2,878	253,530	25	7,096				
Issuance of shares of common stock resulting from a three-for-two stock split in the form of a 50% stock dividend	4,924,047	493	(493)				
Unrealized foreign currency translation adjustment-net of \$39 tax benefit				(165)			
Unrealized loss on marketable securities - net of \$2 tax benefit					(4)		
Net income for the year			39,850				
Balance at October 31, 1997	14,883,143	1,488	34,894	141,355	(169)		--
Contribution to ESOP	13,381	1	698				
Stock options exercised, including related tax benefit of \$640	109,640	12	1,535				
Unrealized foreign currency translation adjustment-net of taxes of \$49					55		
Unrealized gain on marketable securities - net of taxes of \$289					450		
Net income for the year			20,903				



Balance at October 30, 1998	15,006,164	\$ 1,501	\$37,127	\$ 162,258	\$ (114)	\$ 450
-----------------------------	------------	----------	----------	------------	----------	--------

</TABLE>

There were no shares of preferred stock issued or outstanding.  
See Notes to Consolidated Financial Statements.

-39-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

YEAR ENDED

October 30, 1998	October 31, 1997	November 1, 1996
---------------------	---------------------	---------------------

(Dollars in thousands)

<S>

<C>

<C>

<C>

CASH PROVIDED BY (APPLIED TO) OPERATING  
ACTIVITIES

Net income	\$ 20,903	\$ 39,850	\$ 22,348
Adjustments to reconcile net income to cash provided by (applied to) operating activities:			
Extraordinary loss		87	
Depreciation and amortization	20,768	20,494	16,299
Equity in net (income) loss of joint ventures		(6,824)	1,414
Distributions from joint ventures		4,814	2,599
Loss (gain) on securities		3,000	(34)
Gain on sale of joint ventures	(500)	(12,807)	
Gain on partial sale of subsidiaries			(3,666)
Accounts receivable provisions	3,401	3,046	2,718
Minority interests	68	(222)	(858)
Loss (gain) on foreign currency translation		72	39
Loss on dispositions of property, plant and equipment			85
Deferred income tax expense (benefit)		1,352	1,120
Other	101	92	(436)
Changes in operating assets and liabilities:			
Increase in accounts receivable	(63,175)	(61,701)	(57,478)
Increase in inventories	(3,686)	(4,631)	(1,661)
Decrease (increase) in prepaid expenses and other current assets	3,723	(1,371)	1,765
(Increase) decrease in other assets	(3,164)	(597)	1,379
Increase in accounts payable	29,917	16,626	14,328
(Decrease) increase in accrued expenses		(1,755)	10,532
Increase in customer advances and other liabilities	2,568	700	62
(Decrease) increase in income taxes payable		(3,927)	7,486

NET CASH PROVIDED BY (APPLIED TO)  
OPERATING ACTIVITIES

6,751	19,646	(16,346)
-------	--------	----------

CASH (APPLIED TO) PROVIDED BY  
INVESTING ACTIVITIES

Maturities of investments	319	7,037	7,561
Sales of investments	5	48	
Purchases of investments	(1,346)	(6,428)	(7,676)
Investment in joint ventures		(157)	(7,309)
Proceeds from sale of joint ventures		32,732	
Acquisitions	(6,771)	(1,395)	(2,011)
Cash of acquired subsidiaries, less transaction costs			8,421
Proceeds from disposals of property, plant and equipment		267	328
Purchases of property, plant and equipment		(22,400)	(15,471)
Other	18	(13)	

NET CASH (APPLIED TO) PROVIDED BY  
INVESTING ACTIVITIES

(29,908)	16,646	(22,558)
----------	--------	----------

</TABLE>

-40-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS--Continued

<TABLE>

<CAPTION>

	YEAR ENDED		
	October 30, 1998	October 31, 1997	November 1, 1996
	(Dollars in thousands)		
	<C>	<C>	<C>
CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES			
Payment of long-term debt	(1,949)	(1,949)	(24,854)
Proceeds from long-term debt			50,000
Exercises of minority interest stock options			205
Exercises of stock options	1,547	7,150	103
(Decrease) increase in notes payable-banks		(17)	(580) 916
NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES		(419)	4,621 26,370
Effect of exchange rate changes on cash		967	44 461
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(22,609)	40,957 (12,073)
Cash and cash equivalents, beginning of year		54,234	13,277 25,350
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 31,625	\$ 54,234	\$ 13,277

SUPPLEMENTAL INFORMATION

Cash Paid During The Year:

Interest expense	\$ 5,823	\$ 5,563	\$ 5,390
Income taxes, net of refunds	\$ 16,746	\$ 11,375	\$ 22,808

</TABLE>

See Notes to Consolidated Financial Statements.

-41-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business: The Company operates in three major businesses, consisting of five industry segments: Staffing Services; Telephone Directory; Telecommunications Services; Computer Systems; and Electronic Publication and Typesetting Systems.

Fiscal Year: The Company's fiscal year consists of the 52 or 53 weeks ending on the Friday nearest October 31. The 1998, 1997 and 1996 fiscal years were comprised of 52 weeks.

Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have

been eliminated upon consolidation. The minority interest primarily represents the 41% interest in Autologic Information International, Inc. ("aii") owned by the public.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Stock-Based Compensation: The Company accounts for its stock-based compensation arrangements under the provisions of APB Opinion 25, "Accounting for Stock Issued to Employees" (see Note I).

Revenue Recognition: Sales are recorded when products are shipped and when services are rendered. Revenues and costs applicable to long-term contracts, including those providing for software customization or modification, are recognized on the percentage-of-completion method, measured by work performed, or the completed-contract method, as appropriate. Provisions for estimated losses on contracts are recorded when such losses become evident. Pass-through costs are recognized as sales and cost of sales unless payments of such costs, principally to associate vendors, are subject to receipt of the customers' payment to the Company.

Cash Equivalents: Cash equivalents consist of investments in short-term, highly liquid securities having an initial maturity of three months or less.

Investments: The Company determines the appropriate classification of marketable equity and debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Marketable equity securities and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Losses considered to be other than temporary are charged to earnings.

Inventories: Manufacturing inventories are priced at the lower of cost, on a first-in, first-out basis, or market. Accumulated unbilled costs on contracts related to performing services are carried at the lower of actual cost or realizable value (see Note C).

-42-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Long-Lived Assets: The Company reviews for the impairment of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No such impairment indicators have been identified by the Company. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

Property, Plant and Equipment: Depreciation and amortization are provided on the straight-line and accelerated methods at rates calculated to write off the cost of the assets over their estimated useful lives. Fully depreciated assets are written off against their related allowance accounts. The assets are depreciated over the following periods:

Buildings - 25 to 31-1/2 years  
Machinery and equipment - 3 to 15 years  
Leasehold improvements - length of lease or life of asset,  
whichever is shorter

<TABLE>  
<CAPTION>

October	October
30, 1998	31, 1997

-----  
(Dollars in thousands)

<S>

<C>

<C>

Property, plant and equipment consist of:			
Land and buildings	\$ 33,868	\$ 33,750	
Machinery and equipment	79,337	69,491	
Leasehold improvements	5,493	4,626	
	-----	-----	
	118,698	107,867	
Less allowances for depreciation and amortization	51,134	45,372	
	-----	-----	
	\$ 67,564	\$ 62,495	
	=====	=====	

</TABLE>

A term loan is secured by a deed of trust on land and buildings with a book value at October 30, 1998 of \$14.3 million (see Note E).

Intangible Assets: Intangible assets principally consist of the unamortized balances of the excess of cost over the fair value of the net assets of companies or businesses acquired. The intangibles are being amortized using the straight-line method, over a five to twenty year period with an average remaining life of six years.

Income Taxes: Income taxes are provided using the liability method (see Note F).

Foreign Exchange Contracts: Gains and losses on foreign currency option and forward contracts designated as hedges of existing assets and liabilities and of identifiable firm commitments are deferred and included in the measurement of the related foreign currency transaction (see Note M).

Translation of Foreign Currencies: At October 30, 1998, the U.S. dollar is the Company's functional currency throughout the world, except for the Company's Uruguayan operation and certain European subsidiaries. Where the U.S. dollar is used as the functional currency, and in Uruguay, which has a high inflation rate, foreign currency gains and losses are included in operations. The translation adjustments recorded as a separate component of stockholders' equity result from changes in exchange rates, due to the European subsidiaries whose functional currency was not the U.S. dollar.

-43-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Per Share Data: In February 1997, the Financial Accounting Standards Board (FASB) issued Statement No. 128, "Earnings per Share", which was adopted by the Company beginning in the first quarter of fiscal 1998. The Company changed the method previously used to compute earnings per share and restated all prior periods. Under the new requirements for calculating "basic" earnings per share, the dilutive effect of stock options is excluded. "Diluted" earnings per share are computed on the basis of the weighted average number of shares of common stock outstanding and the assumed exercise of dilutive outstanding stock options based on the treasury stock method, and is the same as the previously reported amounts.

Comprehensive Income: In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). The provisions of SFAS No. 130 require companies to classify items of comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately or as part of a reconciliation of net income in the consolidated financial statements. The Company's comprehensive income items are not currently material; and accordingly, the effect of adopting this statement is not expected to be material when it becomes effective in the first quarter of fiscal 1999.

Segment Reporting: In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). Under the provisions of SFAS No. 131, public business enterprises must report financial and descriptive information about its reportable segments. The Company does not expect the adoption of this new standard in fiscal 1999 to result in material changes to previously reported amounts or disclosures.

Derivatives and Hedging Activities: In June 1998, the FASB issued Statement 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). The provisions of SFAS No. 133 require companies to record all derivative instruments as assets or liabilities, measured at fair value. The Company does not expect that effects of adopting this new standard in fiscal 2000 will be material.

#### NOTE B--INVESTMENTS IN SECURITIES

At October 30, 1998, the short-term investments consist of \$1.1 million invested in mutual funds for the Company's deferred compensation plan (See Note L). Non-current investments at such date consist of a portfolio of equity securities with a cost of \$750,000, and a market value of approximately \$1.5 million. The gross unrealized gain of \$739,000 is included as a separate component of stockholders' equity.

At October 31, 1997, short-term investments consisted of a bank certificate of deposit, which matured during fiscal 1998. Non-current investments at such date consisted of a portfolio of equity securities with a cost of \$3.8 million, reduced by a write-down for a decline in market value of \$3.0 million. Such decline in value, considered to be other than temporary, was charged to earnings in fiscal 1997.

-44-

#### VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

#### NOTE C--INVENTORIES

Inventories consist of:

<TABLE>

<CAPTION>

	October 30, 1998	October 31, 1997
	-----	-----
	(Dollars in thousands)	
	<C>	<C>
Services:		
Accumulated unbilled costs on:		
Service contracts	\$27,579	\$23,988
Long-term contracts	108	3,736
	-----	-----
	27,687	27,724
	-----	-----
Products:		
Materials	5,671	3,653
Work-in-process	2,713	965
Service parts	1,819	2,318
Finished goods	1,107	1,293
	-----	-----
	11,310	8,229
	-----	-----
Total	\$38,997	\$35,953
	=====	=====

</TABLE>

The cumulative amounts billed, principally under long-term contracts, of \$25.7 million and \$17.3 million at October 30, 1998 and October 31, 1997, respectively, are credited against the related costs in inventory. Substantially all of the amounts billed have been collected.

#### NOTE D--SHORT-TERM BORROWINGS

The Company has credit lines with domestic and foreign banks which provide for unsecured borrowings and letters of credit up to an aggregate of \$88.0 million, including \$75.0 million under a revolving credit agreement (see Note E). At October 30, 1998, the Company had bank borrowings under these credit lines of \$4.1 million (\$4.4 million at October 31, 1997), principally in foreign currencies. The weighted average interest rate of short-term borrowings at each year-end was 32% in 1998 and 16% in 1997. The weighted average interest rates are high, due to a high proportion of borrowings by the Company's Uruguayan

operation, whose interest rates reflect the country's high inflation level. Borrowings in the local currency in Uruguay serve to hedge receivables against a loss in value, due to the strengthening of the U.S. dollar against the Uruguayan currency.

NOTE E -- LONG-TERM DEBT AND FINANCING ARRANGEMENTS

Long-term debt consists of the following:

<TABLE>

<CAPTION>

	October 30, 1998	October 31, 1997	
	-----	-----	
	(Dollars in thousands)		
<S>	<C>	<C>	
7.92% Senior Notes (a)	\$50,000	\$50,000	
7.86% Term loan (b)	4,200	5,100	
Notes payable (c) & (d)	1,247	2,296	
	-----	-----	
	55,447	57,396	
Less amounts due within one year	1,399	1,949	
	-----	-----	
Total long-term debt	\$54,048	\$55,447	
	=====	=====	

</TABLE>

-45-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE E -- LONG-TERM DEBT AND FINANCING ARRANGEMENTS--Continued

(a) On August 28, 1996, the Company issued \$50.0 million of Senior Notes in a private placement to institutional investors. The notes bear interest at 7.92% per annum, payable semi-annually on February 28 and August 28, and provide for amortization of principal in five equal annual installments beginning in August 2000. The notes were issued pursuant to Note Purchase Agreements, which contain various affirmative and negative covenants. One such covenant requires the Company to maintain a level of consolidated net worth which, under the formula in the agreements, was \$123.6 million at October 30, 1998. However, the terms of the Company's revolving Credit Agreement require the Company to maintain a consolidated net worth of \$140.3 million at the same date (see below).

(b) In October 1994, the Company entered into a \$10.0 million loan agreement with Fleet Bank, N.A., which is secured by a deed of trust on land and buildings (book value at October 30, 1998 - \$14.3 million). The loan, which bears interest at 7.86% per annum, requires principal payments of \$225,000 per quarter and a final payment of \$1.7 million in October 2001.

(c) A loan of \$2.5 million from the Chase Manhattan Bank was made to a foreign subsidiary on January 18, 1996 to finance the acquisition of a printing press. The loan, guaranteed by the Company, is being repaid in semi-annual payments of \$249,000, plus interest calculated at LIBOR (5.13% at October 30, 1998) plus 0.25%, through September 15, 2001.

(d) The balance at October 31, 1997 included a note payable (with interest payable at 90 day commercial paper rates) for \$550,000, which was due and paid on January 2, 1998.

In addition, on July 2, 1997, the Company entered into a \$75.0 million, three-year, syndicated, unsecured, revolving Credit Agreement ("Credit Agreement") with a group of banks for which The Chase Manhattan Bank ("Chase") and Fleet Bank, N.A. are serving as co-agents. Borrowings under the facility will bear interest at various interest rates, with the Company having the option to select the most favorable rate at the time of borrowing. The Credit Agreement provides for, among other things, the maintenance of various financial ratios and covenants, including a requirement that the Company maintain consolidated net worth (as defined) of \$110.0 million, plus 50% of consolidated net income for each completed fiscal year (resulting in a requirement at October 30, 1998 to maintain consolidated net worth of \$140.3 million), and certain limitations on the extent to which the Company and its subsidiaries may incur additional indebtedness, liens and sale of assets. There were no outstanding borrowings

under the Agreement at October 30, 1998. In connection with the acquisition of a UK based Information Technology (IT) staffing company in December 1998, the Company borrowed \$35.0 million under the Credit Agreement (See Note O).

The Credit Agreement replaced the Company's previous \$10.0 million revolving facility with Chase and its former \$45.0 million accounts receivable securitization program. The accounts receivable securitization agreement entitled the Company to sell, on a limited recourse basis, undivided interests in a designated pool of certain eligible accounts receivable. The Company paid fees based primarily on the purchaser's borrowing costs incurred on short-term commercial paper which financed the purchase of receivables. Other income (expense) in the accompanying 1997 and 1996 statements of income includes fees related to the agreement of \$316,000 and \$2.0 million, respectively.

During fiscal 1996, the Company's retired the remaining \$22.9 million face value 12-3/8% Senior Subordinated Debentures at par plus accrued interest, resulting in an extraordinary charge of \$87,000, net of an income tax benefit of \$55,000.

-46-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE F--INCOME TAXES

Deferred tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are scheduled to reverse.

<TABLE>  
<CAPTION>

	Year Ended		
	October 30, 1998	October 31, 1997	November 1, 1996
	(Dollars in thousands)		
	<C>	<C>	<C>
The components of income before income taxes, based on the location of operations, consist of the following:			
Domestic	\$ 35,418	\$ 40,848	\$ 33,739
Foreign	409	21,577	548
	<u>\$ 35,827</u>	<u>\$ 62,425</u>	<u>\$ 34,287</u>
The components of the income tax provision include:			
Current:			
Federal	\$ 10,949 (a)	\$ 12,260 (a)	\$ 10,928 (a) and (b)
Foreign	199	5,417	1,513
State and local	2,356	4,000	2,743
Total current	<u>13,504</u>	<u>21,677</u>	<u>15,184</u>
Deferred:			
Federal	1,769	660	(1,946)
Foreign	(467)	480	(643)
State and local	50	(20)	115
Total deferred	<u>1,352</u>	<u>1,120</u>	<u>(2,474)</u>
Total income tax provision	<u>\$ 14,856</u>	<u>\$ 22,797</u>	<u>\$ 12,710</u>

</TABLE>

(a) Reduced in 1997 by \$99,000 of foreign tax credit carryforwards and reduced in 1998, 1997 and 1996 by benefits of \$1,009,000, \$481,000 and \$859,000, respectively, from general business credits.

(b) As a result of the completion of a tax return examination for fiscal years

1989 through 1993, the 1996 current federal provision includes \$1.4 million of benefit related to the refund of previously paid taxes.

-47-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE F--INCOME TAXES--Continued

The consolidated effective tax rates are different than the U.S. Federal statutory rate. The differences result from the following:

<TABLE>

<CAPTION>

	Year Ended		
	October 30, 1998	October 31, 1997	November 1, 1996
<S>	<C>	<C>	<C>
Statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal tax benefit	4.4	4.2	4.7
Tax effect of foreign operations		(1.0)	(5.0)
Goodwill amortization		3.1	2.3
Adjustment resulting from conclusion of tax examination related to prior years			(4.2)
General business credits		(1.8)	(0.5)
Other - net	1.8	1.5	(1.7)
Effective tax rate	41.5%	36.5%	37.1%

</TABLE>

-48-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE F--INCOME TAXES--Continued

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and also include operating loss and tax credit carryforwards. Significant components of the Company's deferred tax assets and liabilities are as follows:

<TABLE>

<CAPTION>

	October 30, 1998	October 31, 1997
	(Dollars in thousands)	
<S>	<C>	<C>
Deferred Tax Assets:		
Allowance for doubtful accounts	\$ 2,175	\$ 568
Inventory valuation	3,347	4,605
Domestic net operating loss carryforwards	2,604	3,884
Foreign tax credit carryforwards	606	606
Accelerated book depreciation		149
Vacation accruals	2,271	1,680
Warranty accruals	447	348
Foreign asset bases	944	479
Other--net	980	1,391
Total deferred tax assets	13,374	13,710
Valuation allowance for deferred tax assets	606	606
Deferred tax assets, net of valuation allowance	12,768	13,104

Deferred Tax Liabilities:



Earnings not currently taxable	5	366
Accounts receivable valuation	2,439	909
Accelerated tax depreciation	44	
	-----	-----
Total deferred tax liabilities	2,488	1,275
	-----	-----
Net deferred tax assets	\$10,280	\$11,829
	=====	=====
Balance sheet classification:		
Current assets	\$ 8,065	\$ 8,102
Noncurrent assets	2,215	3,727
	-----	-----
Net deferred tax assets	\$10,280	\$11,829
	=====	=====

</TABLE>

-49-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE F--INCOME TAXES--Continued

As of October 30, 1998, for tax purposes, the Company had foreign tax credit carryforwards of \$606,000, which expire from 1999 through 2002. For financial statement purposes, a valuation allowance has been recognized to offset the deferred tax asset related to these carryforwards. At October 30, 1998, net deferred tax assets include \$2.6 million related to domestic net operating loss carryforwards of the Company's 59% owned subsidiary, aii, of which \$413,000 is subject to certain annual limitations. The carryforwards expire between 2009 and 2012. Although realization is not assured, management believes it is more likely than not that all of the assets related to such loss carryforwards will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward period are reduced.

There were no increases or decreases in the valuation allowance during fiscal 1998. The valuation allowance was decreased during fiscal 1997 by \$646,000.

Undistributed earnings of foreign subsidiaries (\$3.7 million) at October 30, 1998 are considered permanently invested and, accordingly, no federal income taxes thereon have been provided. Should these earnings be distributed, foreign tax credits would reduce the additional federal income tax which would be payable. Availability of credits is subject to limitations; accordingly, it is not practicable to estimate the amount of the ultimate deferred tax liability, if any, on such accumulated earnings.

NOTE G--SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES

In the first quarter of 1997, the Company sold its 50% interest in Telelistas Editora Ltda. ("Telelistas"), a Brazilian joint venture, which is the official publisher of telephone directories in Rio de Janeiro for the government-owned telephone company, and received \$2.5 million in excess of its carrying value at the date of sale. In connection with the sale, the Company continued to grant credit to Telelistas and guarantee the venture's obligations with respect to certain import financing, principally for the printing of telephone directories by the Company's Uruguayan division. Therefore, the Company had deferred the gain on the sale. In the third quarter of 1998, Telelistas repaid certain of these obligations and the Company's guarantees were released. Accordingly, \$500,000 of the gain on the sale has been recognized in fiscal 1998. The \$2.0 million balance of the deferred gain will be recognized as the Company's Uruguayan division collects its receivables from Telelistas. Such receivables are secured by the accounts receivable of Telelistas.

In the fourth quarter of 1997, the Company sold its 12-1/2% interest in Pacific Access Pty. Ltd., its Australian joint venture, resulting in a gain of \$12.8 million. This joint venture was responsible throughout Australia for the marketing, sales and compilation functions of all yellow pages directories of Telstra, the Australian telephone company.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE G--SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES--Continued

The following summarizes the operating results of the joint ventures through the date of sale and the Company's equity:

<TABLE>

<CAPTION>

	Year Ended			
	October 31, 1997		November 1, 1996	
	(Dollars in thousands)			
	Total	Company's Equity	Total	Company's Equity
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 539,534		\$ 601,174	
Costs and expenses	489,099		564,945	
Income tax provision	17,343		15,360	
Net income	\$ 33,092		\$ 20,869	
Net income of Australian joint venture	\$ 29,900		\$ 3,632	\$ 26,021
Net income (loss) of Brazilian joint venture	3,192		3,192	(5,152)
	\$ 33,092		\$ 20,869	
Company's equity in net income (loss) of joint ventures	\$6,824		\$(1,414)	

</TABLE>

NOTE H--ACQUISITION AND SALE OF SUBSIDIARIES AND BUSINESSES

During fiscal 1998, the Company acquired community-based directories in Georgia, Florida, South Carolina and Virginia for \$7.5 million in cash and notes, two toll-free directories for \$2.1 million in cash and a temporary service business for \$1.0 million in cash. These acquisitions resulted in an increase in intangible assets of \$8.7 million.

During fiscal 1997, the Company acquired community-based directories in North Carolina and West Virginia for a total of \$1.4 million in cash, which resulted in a \$1.4 million increase in intangible assets.

During fiscal 1996, the Company acquired a technical services business and a temporary services business for a total of \$3.1 million in cash and notes, which resulted in an increase in intangible assets of \$3.1 million.

On January 29, 1996, the Company merged its wholly-owned subsidiary, Autologic, Incorporated and related foreign subsidiaries ("Autologic"), with Information International, Inc. ("Triple-I"), resulting in the formation of aii, a new publicly traded company. In connection with the merger, the stockholders of Triple-I received 41% of aii's common stock, and the Company received 59% of the outstanding shares of aii common stock. The merger has been accounted for as a purchase of a 59% interest in Triple-I and a corresponding sale of a 41% interest in Autologic to the former stockholders of Triple-I. The results of operations of Triple-I are included in the accompanying consolidated statements of income since the date of acquisition. The sale of 41% of Autologic resulted in a pretax gain of \$3.7 million, net of transaction costs, and also resulted in 41% of Autologic's assets being reflected in the 1996 balance sheet at fair value, which increased intangible assets by \$5.2 million, with a corresponding increase in the minority interest. Amortization of such intangibles, which amounted to \$1.0 million

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE H--ACQUISITION AND SALE OF SUBSIDIARIES AND BUSINESSES--Continued

in fiscal 1998 and fiscal 1997 (\$783,000 in fiscal 1996), is being charged to the minority interest. In addition, the purchase of the assets of Triple-I resulted in an intangible of \$3.8 million, which is being amortized over a period of five years.

The following unaudited pro forma information presents a summary of consolidated results of operations, as if the fiscal 1996 acquisitions and mergers had occurred at the beginning of fiscal 1996 with pro forma adjustments to give effect to amortization of intangibles, minority interest share in operations and certain income tax adjustments. The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on the date indicated or which may result in the future.

<TABLE>

<CAPTION>

(Unaudited)  
Year Ended

-----  
November  
1, 1996  
-----

(Dollars in thousands, except per share amounts)

<S>	<C>
Sales	\$ 1,062,477
Net income	\$ 22,885
Net income per share - basic	\$ 1.58
Net income per share - diluted	\$ 1.55

</TABLE>

The fiscal 1998 and fiscal 1997 acquisitions would not have had a material effect on the consolidated results of operations for the reported periods.

In December 1998, the Company acquired a UK based IT staffing company for \$35 million (see Note O).

NOTE I--STOCK OPTION PLANS

The Non-Qualified Stock Option Plan adopted by the Company in fiscal 1980 terminated on June 30, 1990, except for options previously granted under the plan. Unexercised options expire ten years after grant. Outstanding options at October 30, 1998 were granted at 100% of the market price of the shares of common stock on the date of grant and became exercisable cumulatively in increments of 20% per year in each of the second through sixth years after date of grant.

In May 1995, the Company adopted a new Non-Qualified Stock Option Plan, which provides for the granting of options to acquire up to 1.2 million shares (adjusted for the stock split in 1997) of common stock to key employees and, as amended in January 1998, directors of the Company. Option exercise prices may not be less than 100% of the market price of the shares on the date the options are granted. The date each option becomes exercisable and the term of each option, which may not exceed ten years, are at the discretion of the Company. Currently outstanding options become fully vested within one to five years after the date of grant. At October 30, 1998, options to purchase 269,618 shares were vested and 482,790 (526,145 at October 31, 1997) shares were available for future grants under the plan.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE I--STOCK OPTION PLANS--Continued

All share and per share data are restated to reflect the October 1995 and May 1997 stock splits.

Transactions involving outstanding stock options under these plans were:

<TABLE>  
<CAPTION>

	1980 Plan		1995 Plan		
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
<S>	<C>	<C>	<C>	<C>	
Outstanding-November 3, 1995		324,600	\$ 6.45		
Granted			715,575	\$ 18.57	
Exercised	(9,600)	6.88			
Forfeited			(16,050)	18.08	
Outstanding-November 1, 1996		315,000	6.44	699,525	18.58
Granted			6,850	35.98	
Exercised	(157,000)	8.88	(146,827)	18.11	
Forfeited			(32,520)	18.08	
Outstanding-October 31, 1997		158,000	4.02	527,028	18.97
Granted			85,500	34.96	
Exercised	(77,000)	4.04	(32,640)	18.20	
Forfeited			(42,145)	26.64	
Outstanding-October 30, 1998		81,000	\$ 4.00	537,743	\$ 20.96

</TABLE>

Price ranges of outstanding and exercisable options as of October 30, 1998 are summarized below:

<TABLE>  
<CAPTION>

Range of Exercise Prices	Outstanding Options			Exercisable Options	
	Number of Shares	Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
1980 Plan: \$ 4.00	81,000	2	\$ 4.00	81,000	\$ 4.00
1995 Plan: \$17.16-\$18.08	411,343	7	\$ 18.08	223,188	\$ 18.08
\$21.03-\$28.72	82,100	9	\$ 24.86	45,930	\$ 25.40
\$32.00-\$59.81	44,300	9	\$ 40.43	500	\$ 50.56

</TABLE>

At November 1, 1996 all outstanding options under the 1980 plan were fully exercisable.

The Company has elected to follow APB Opinion 25, "Accounting for Stock Issued to Employees", to account for its stock options. No compensation cost is recognized because the option exercise price is equal to at least the market price of the underlying stock on the date of grant. Had compensation cost for these plans been determined at the grant dates for awards under the alternative method provided for in SFAS 123, "Accounting and Disclosure for Stock Based

Compensation", pro forma net income and earnings per share would have been:

<TABLE>  
<CAPTION>

	1998	1997	1996	
	----	----	----	
<S>	<C>	<C>	<C>	
Pro forma net income (in thousands)		\$ 20,202	\$ 37,703	\$ 20,612
Pro forma net income per share - basic		\$ 1.35	\$ 2.56	\$ 1.42
Pro forma net income per share - diluted		\$ 1.34	\$ 2.52	\$ 1.40

</TABLE>

The fair value of each option grant is estimated using the Multiple Black-Scholes option pricing model, with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.4%, 6.0% and 6.2%, expected volatility of .63, .72 and .80, an expected life of the options of three years and no dividends.

#### NOTE J--INDUSTRY SEGMENTS

Financial data concerning the Company's sales, segment profit (loss) and identifiable assets by industry segments for fiscal years 1998, 1997 and 1996 are presented in tables under Item 1 of Form 10-K and are incorporated herein by reference.

Total sales include both sales to unaffiliated customers, as reported in the Company's consolidated statements of income, and intersegment sales. Sales between segments are generally priced at fair market value. Segment profit (loss) is comprised of total sales less operating expenses. In computing segment profit (loss), none of the following items have been added or deducted: general corporate expense; interest expense; fees related to sales of accounts receivable; corporate interest income and income taxes. Identifiable assets are those assets that are used in the Company's operations in the particular industry segment. Corporate assets consist principally of cash and cash equivalents, investments and investments in joint ventures.

Sales to one customer of the Staffing Services segment represented 11% of consolidated sales and 14% of sales of that segment in fiscal 1998. In the event that there was a loss of this customer there could be an adverse effect on the results for that segment's business, although the Company does not believe that there would be a material adverse effect on the Company taken as a whole. Sales to a different customer represented 12% of consolidated sales and 16% of sales of that segment in fiscal 1997. No customer accounted for ten percent or more of the Company's sales in fiscal 1996.

-54-

#### VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

#### NOTE J--INDUSTRY SEGMENTS--Continued

Capital expenditures and depreciation and amortization by the Company's industry segments are as follows:

<TABLE>  
<CAPTION>

	Year Ended			
	-----	-----	-----	
	October	October	November	
	30, 1998	31, 1997	1, 1996	
	-----	-----	-----	
	(Dollars in thousands)			
	-----			
	Capital Expenditures			
	-----	-----	-----	
<S>	<C>	<C>	<C>	
Staffing Services	\$ 5,160	\$ 4,494	\$ 3,017	
Telephone Directory	7,873	2,133	7,779	
Telecommunications Services	3,478	3,817	4,135	
Computer Systems	3,941	2,468	2,990	
Electronic Publication and Typesetting Systems		2,331	2,359	2,914
	-----	-----	-----	
Total segments	22,783	15,271	20,835	
Corporate	259	323	350	

\$23,042	\$15,594	\$21,185
----------	----------	----------

<CAPTION>

Depreciation and Amortization (a)

	\$	\$	\$	\$
Staffing Services	3,536	2,653	1,868	
Telephone Directory	3,655	3,292	2,414	
Telecommunications Services	3,727	3,321	2,872	
Computer Systems	4,721	5,802	4,037	
Electronic Publication and Typesetting Systems	4,705	4,770	4,403	
Total segments	20,344	19,838	15,594	
Corporate	424	656	705	
	\$20,768	\$20,494	\$16,299	

</TABLE>

(a) Includes depreciation and amortization of property, plant and equipment for fiscal years 1998, 1997 and 1996 of \$17.6 million, \$17.6 million and \$14.1 million, respectively.

-55-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE K--QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of unaudited quarterly results of operations for fiscal years ended October 30, 1998 and October 31, 1997. Each quarter contained thirteen weeks.

<TABLE>

<CAPTION>

Fiscal 1998 Quarter

	First	Second	Third	Fourth
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Net sales	\$361,515	\$412,583	\$ 431,779	\$502,718
Gross profit	\$ 26,176	\$ 31,548	\$ 33,289	\$ 42,211
Net income	\$ 2,585	\$ 4,319	\$ 4,826 (a)	\$ 9,173
Net income per share - basic	\$ 0.17	\$ 0.29	\$ 0.32 (a)	\$ 0.61
Net income per share - diluted	\$ 0.17	\$ 0.28	\$ 0.32	\$ 0.61

Stock price (d):

High	\$70-1/4	\$58-1/4	\$34-3/16	\$29
Low	38-3/4	29-7/8	26-1/16	15-5/16

</TABLE>

<TABLE>

<CAPTION>

Fiscal 1997 Quarter

	First	Second	Third	Fourth
	(Dollars in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Net sales	\$288,800	\$345,703	\$366,630	\$400,340
Gross profit	\$ 24,072	\$ 33,125	\$ 34,826	\$ 46,089

Net income	\$ 4,922 (b)	\$ 7,134	\$ 9,274	\$ 18,520 (c)
Net income per share - basic	\$ 0.34 (b)	\$ 0.49	\$ 0.63	\$ 1.25 (c)
Net income per share - diluted	\$ 0.33	\$ 0.47	\$ 0.61	\$ 1.20
Stock price (d):				
High	\$ 33	\$ 36-2/3	\$ 56-3/4	\$69-3/16
Low	22-1/3	28-1/2	36-1/2	52-5/8

(a) In connection with the sale in fiscal 1997 of its interest in the Brazilian joint venture, the Company continued to grant credit to the joint venture and guarantee the venture's obligations with respect to certain import financing, principally for the printing of telephone directories by the Company's Uruguayan division. During the 1998 third quarter, the venture repaid certain of its obligations and satisfied the Company's guarantees. Accordingly, \$500,000 of a previously deferred \$2.5 million gain on the sale has been recognized. The \$2.0 million balance of the deferred gain will be recognized as the Uruguayan division collects its receivables from the venture. Other income in the 1998 third quarter has been reduced by a non-recurring charge of \$650,000 due to professional fees in connection with a terminated transaction.

-56-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE K--QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)--Continued

(b) In the first quarter of 1997, the Company sold its interest in a Brazilian joint venture. Due to the Company's guarantee of certain of the venture's obligations, the gain on the sale of approximately \$2.5 million had been deferred until the Company's obligations, under such guarantees were determined. However, the Company's portion of profits earned by the venture of \$3.2 million (\$0.21 per share) through the date of sale were included in equity in net income (loss) of joint ventures.

(c) In the fourth quarter of 1997, the Company sold its interest in an Australian joint venture resulting in a gain of \$12.8 million (\$7.9 million, net of taxes, or \$0.52 per share). In addition, the Company wrote off its investment in a PCS/wireless company, resulting in a fourth quarter charge to earnings of \$3.0 million (\$1.8 million, net of taxes, or \$0.12 per share).

(d) The Company's common stock has been traded on the New York Stock Exchange (NYSE Symbol-VOL) since May 7, 1997, prior to which it was included in The Nasdaq Stock Market National System. The above sets forth the high and low prices of Volt's common stock, as reported by the NYSE since May 1997 and by Nasdaq, without retail mark-up, mark-down or commission, prior thereto.

Applicable per share amounts and stock prices have been restated to reflect a three-for-two stock split of the Company's common stock, which was effected by a 50% stock dividend distributed on May 27, 1997 to shareholders of record as of the close of business on May 12, 1997.

Historically, the Company's results of operations have been lower in the first fiscal quarter as a result of reduced requirements for its technical and temporary personnel due to the holiday season. The Australian joint venture, in which the Company sold its interest in the fourth quarter of fiscal 1997 (see Note G), produced a major portion of its revenues and significantly all of its profits in the Company's second and third fiscal quarters. The Company's Uruguayan operation produces a major portion of its revenues and most of its profits in the Company's fourth fiscal quarter, and the Company's independent directory publisher's revenues and profits are lower in the Company's first fiscal quarter due to the seasonality of its directory closing schedule. Sales by AII are generally lower in the months of November and December due to the holiday season, which is a peak publishing period when customers are reluctant to install and test new equipment.

## NOTE L--EMPLOYEE BENEFITS

The Company has a non-contributory Employee Stock Ownership Plan (ESOP), which provides for open market or private purchases of Company common stock from time-to-time, or contributions by the Company of unissued or treasury shares. Discretionary contributions are made for all employees who have completed one year of service for a participating employer. Vesting occurs at a rate of 25% per year of service, commencing with the completion of three years of service. Contributions of \$410,000 in fiscal 1998, \$700,000 in fiscal 1997 and \$500,000 in fiscal 1996 were accrued and charged to compensation expense. Contributions of previously unissued shares were made to the plan and are included in the calculation of earnings per share.

The Company has savings plans which permit eligible employees to make contributions on a pretax salary reduction basis in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The Company does not match employee contributions.

-57-

## VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

### NOTE L--EMPLOYEE BENEFITS--Continued

The Company has a non-qualified deferred compensation and supplemental savings plan which permits eligible employees to defer a portion of their income. This plan consists solely of participant deferrals and earnings thereon, which are reflected as a current liability under accrued wages and commissions.

### NOTE M--FINANCIAL INSTRUMENTS

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash investments and accounts receivable. At October 30, 1998, the Company's cash investments were primarily in investment grade, short-term instruments. Concentrations of credit risk with respect to the Company's receivables are limited due to the large number of customers in the Company's customer base, and their dispersion across different industries and geographic areas.

The Company purchases foreign currency option contracts, generally having a maturity of three to six months, to hedge the adverse impact on its foreign currency receivables and sales when the dollar strengthens against the related foreign currencies. Foreign exchange (gain) loss in the accompanying statements of income include (1) any gain on option contracts, which are recognized in income in the same period as losses on the hedged receivables and reduced dollar amount of sales, and (2) the premium cost of such option contracts, which is amortized over the contract period. At October 30, 1998, the Company had purchased options, all of which expire in the first quarter of 1999, at a cost of \$119,000, to exchange various overseas currencies for U.S. dollars, in the aggregate notional amount of \$5.5 million. There were no unrealized gains or losses on these contracts at such date.

In addition, the Company entered into foreign currency forward and option contracts to hedge future foreign currency revenues and payments during 1998 and 1999 resulting from a long-term service contract. Accordingly, gains and losses on these hedge contracts are deferred and will be accounted for as part of the underlying service contract. At October 30, 1998, the Company has purchased a put option contract at a cost of \$18,000 which permit, but does not require, the Company to exchange 3.7 million Dutch guilders to be received in the future from another party at fixed U.S. dollar exchange rates. At October 30, 1998, the deferred gain on the aforementioned contracts was \$2.4 million.

The counterparty to the currency option contracts is a major bank. Credit loss from counterparty nonperformance is not anticipated.

The carrying amount of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and notes payable to banks approximated their fair values as of October 30, 1998 and October 31, 1997, due to the relatively short maturity of these instruments. The carrying value of long-term debt, including the current portion approximated its fair value as of October 30, 1998 and October 31, 1997 based upon quoted market prices for same



or similar debt issues.

-58-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--Continued

NOTE N -- COMMITMENTS

The future minimum rental commitments as of October 30, 1998 for all noncancellable operating leases are as follows:

<TABLE>

<CAPTION>

Fiscal Year	Total	Office Space	Equipment
(Dollars in thousands)			
<S>	<C>	<C>	<C>
1999	\$13,740	\$13,601	\$139
2000	9,682	9,604	78
2001	5,828	5,787	41
2002	2,686	2,683	3
2003	1,606	1,606	
Thereafter	1,611	1,611	
	-----	-----	----
	\$35,153	\$34,892	\$261
	=====	=====	=====

</TABLE>

Rental expense for all operating leases for fiscal years 1998, 1997 and 1996 was \$16.3 million, \$13.0 million and \$10.7 million, respectively. Many of the leases also require the Company to pay or contribute to property taxes, insurance and ordinary repairs and maintenance.

The Company has guaranteed the performance of subsidiaries under contracts. At October 30, 1998, outstanding letters of credit of \$3.2 million were issued by banks in support of these guarantees. The letters of credit expire in fiscal 1999, unless renewed. The Company believes that risk of loss relative to these financial guarantees is remote.

In December 1998, the Company entered into an agreement to purchase an Enterprise Resource Planning system for internal use. The total amount committed under this agreement is approximately \$6.0 million.

NOTE O--SUBSEQUENT EVENTS

In December 1998, the Company amended and restated its \$75 million syndicated unsecured revolving Credit Agreement with a group of banks extending the term to January 2002. The amendment also modifies certain fees and financial covenants. In addition, it provides for the availability of borrowings in designated eurocurrencies and by designated subsidiaries.

In December 1998, the Company acquired Gatton Computing Group Limited ("Gatton"), a provider of IT contractor resourcing services and IT managed services in the United Kingdom and continental Europe. The purchase price was approximately \$35 million in cash. Headquartered near London, England, Gatton offers IT services through three main operating divisions which provide temporary IT contract consultants and specifically tailored recruitment services and a range of IT services, including systems development, maintenance and technical support services. Gatton reported revenues in fiscal 1998 of approximately \$68 million (which are not included in the Company's operating results). The Company borrowed \$35.0 million under its revolving Credit Agreement to finance this acquisition.

-59-

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

The information called for by Part III (Items 10, 11, 12 and 13) of Form 10-K (except information as to the Company's executive officers, which information follows Item 4 in this Report) will be included in the Company's Proxy Statement, which the Company intends to file within 120 days after the close of its fiscal year ended October 30, 1998, and is hereby incorporated by reference to such Proxy Statement.

-60-  
PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

14(a)(1). Financial Statements

The following consolidated financial statements of Volt Information Sciences, Inc. and subsidiaries are included in Item 8:

	Page
	----
Consolidated Balance Sheets--October 30, 1998 and October 31, 1997.	37
Consolidated Statements of Income--Years ended October 30, 1998, October 31, 1997 and November 1, 1996.	38
Consolidated Statements of Stockholders' Equity--Years ended October 30, 1998, October 31, 1997 and November 1, 1996.	39
Consolidated Statements of Cash Flows--Years ended October 30, 1998, October 31, 1997 and November 1, 1996.	40
Notes to Consolidated Financial Statements.	42

14(a)(2). Financial Statement Schedules

The following consolidated financial statement schedule of Volt Information Sciences, Inc. and subsidiaries is included in response to Item 14(d):

Schedule II--Valuation and qualifying accounts	S-1
--	-----

Other schedules (Nos. I, III, IV and V) for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable and, therefore, have been omitted.

-61-

14 (a) (3). Exhibits

Exhibit	Description
-----	-----
2.1	Agreement and Plan of Merger dated as of October 5, 1995, as amended on November 10, 1995 and December 7, 1995, among Information International, Incorporated, Autologic, Inc., name changed to Autologic Information International, Inc., and Volt Information Sciences, Inc., Incorporated by Reference to Appendix I to the Registration Statement on Form S-4 of Autologic Information International, Inc., (File No. 33-99278).
3.1	Restated Certificate of Incorporation of the Company, as filed with the Department of State of New York on January 29, 1997. (Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1996).
3.2*	By-Laws of the Company.

4.1\* Amended and Restated Credit Agreement dated December 22, 1998 among the Company, The Chase Manhattan Bank, individually and as Administrative Agent, Fleet Bank, N.A., individually and as Co-Agent, Bank of America National Trust and Savings Association, Mellon Bank, N.A., and Wells Fargo Bank, N.A.

10.1(a)+ Non-Qualified Stock Option Incentive Plan, as amended through August 26, 1996. (Exhibit 10.1(a) to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1996).

10.1(b)+\* 1995 Non-Qualified Stock Option Plan, as amended through January 26, 1998.

10.2(a)+ Employment Agreement dated as of May 1, 1987 between the Company and William Shaw. (Exhibit 19.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).

10.2(b)+ Amendment dated January 3, 1989 to Employment Agreement between the Company and William Shaw. (Exhibit 19.01(b) to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 1988, File No. 1-9232).

-62-

14 (a) (3). Exhibits--Continued

Exhibit	Description
- - - - -	- - - - -

10.3(a)+	Agreement dated as of May 1, 1987 between the Company and Jerome Shaw (Exhibit 19.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).
----------	--

10.3(b)+	Amendment dated January 3, 1989 to Agreement between the Company and Jerome Shaw (Exhibit 19.02(b) to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 1988, File No. 1-9232).
----------	--

10.4(a)+	Agreement dated as of May 1, 1987 between the Company and Irwin B. Robins (Exhibit 19.03 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).
----------	--

10.4(b)+	Amendment dated June 1, 1992 to Agreement between the Company and Irwin B. Robins (Exhibit 10.04(b) to the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 1992, File No. 1-9232).
----------	---

10.4(c)+	Amendment dated April 28, 1994 to Agreement between the Company and Irwin B. Robins (Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 29, 1994, File No. 1-9232).
----------	---

10.4(d)+	Amendment dated April 30, 1996 to Agreement between the Company and Irwin B. Robins (Exhibit 10.04(d) to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1997, File No. 1-9232).
----------	---

10.4(e)+	Amendment dated April 30, 1998 to Agreement between the Company and Irwin B. Robins (Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1998, File No. 1-9232).
----------	--

21.\* Subsidiaries of the Registrant.

23.\* Consent of Ernst & Young LLP.

27.\* Financial Data Schedule (filed with electronic version only).

-----

+ Management contract or compensation plan or arrangement.

\* Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

-63-

14 (b).Reports on Form 8-K

No Reports on Form 8-K were filed during the fourth quarter of the year ended October 30, 1998. However, after the end of the fourth quarter, the Company filed a Report on Form 8-K dated (date of earliest event reported) December 2, 1998, reporting under Item 5, Other Events, and Item 7, Financial Statements and exhibits. No financial statements were filed with that report.

#### UNDERTAKING

The Company hereby undertakes to furnish to the Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of long-term debt of the Company and its consolidated subsidiaries not filed herewith. Such instruments have not been filed since none are, nor are being, registered under Section 12 of the Securities Exchange Act of 1934 and the total amount of securities authorized under any such instruments does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

-64-

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### VOLT INFORMATION SCIENCES, INC.

Dated: New York, New York  
January 15, 1999

By: /s/William Shaw  
-----

William Shaw  
Chairman of the Board, President  
and Chief Executive Officer

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

<TABLE>

<CAPTION>

Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
/s/William Shaw	Chairman of the Board,	January 15, 1999
-----		
William Shaw	President and Chief Executive Officer and Director	
/s/James J. Groberg	Director, Senior Vice	January 15, 1999
-----		
James J. Groberg	President (Principal Financial Officer)	
/s/Jack Egan	Vice President, Corporate	January 15, 1999
-----	Accounting (Principal Accounting Officer)	
Jack Egan		
/s/Jerome Shaw	Director	January 15, 1999
-----		
Jerome Shaw		

/s/ Irwin B. Robins      Director                      January 15, 1999

-----  
Irwin B. Robins

/s/ Steven A. Shaw      Director                      January 15, 1999

-----  
Steven A. Shaw

Director

-----  
Mark N. Kaplan

Director

-----  
John R. Torell, III

Director

-----  
William H. Turner

</TABLE>

-65-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

<TABLE>

<CAPTION>

Column A	Column B	Column C	Column D	Column E	
-----	-----	-----	-----	-----	
	Additions				
	-----				
Description	Balance at	Charged to	Charged to	Balance	
-----	Beginning	Costs and	Other	at End	
	of Period	Expenses	Accounts	Deductions	of Period
	-----	-----	-----	-----	
		(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>	
Year ended October 30, 1998:					
Deducted from asset accounts:					
Allowance for uncollectible accounts		\$ 5,067	\$3,401	\$2,646 (1) (2)	\$ 5,822
Allowance for deferred tax assets		606		606	
Unrealized loss (gain) on marketable securities		3,000	\$(739) (3)	3,000	(739)
Year ended October 31, 1997:					
Deducted from asset accounts:					
Allowance for uncollectible accounts		\$ 5,191	\$3,046	\$3,170 (1) (2)	\$ 5,067
Allowance for deferred tax assets		1,252	\$(99) (4)	547 (5)	606
Unrealized loss (gain) on marketable securities		(7)	3,000	7 (3)	3,000
Year ended November 1, 1996:					
Deducted from asset accounts:					
Allowance for uncollectible accounts		\$ 3,943	\$2,718	\$ 833 (6)	\$2,303 (1) (2)
Allowance for deferred tax assets		1,477		(158) (4)	67 (5)
Unrealized loss (gain) on marketable securities		(122)		115 (3)	(7)

</TABLE>

(1)--Write-off of uncollectible accounts.

(2)--Includes a foreign currency translation gain of \$13 in 1998, \$64 in 1997, and \$49 in 1996, respectively.

(3)--Charge (credit) to stockholders' equity.

(4)--Credit to income tax provision.

(5)--Principally, write-off of unutilized foreign tax credits.

(6)--Pertains to the opening balance of a company acquired on January 29, 1996.

Exhibit -----	Description -----
2.1	Agreement and Plan of Merger dated as of October 5, 1995, as amended on November 10, 1995 and December 7, 1995, among Information International, Incorporated, Autologic, Inc., name changed to Autologic Information International, Inc., and Volt Information Sciences, Inc., Incorporated by Reference to Appendix I to the Registration Statement on Form S-4 of Autologic Information International, Inc., (File No. 33-99278).
3.1	Restated Certificate of Incorporation of the Company, as filed with the Department of State of New York on January 29, 1997. (Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1996).
3.2*	By-Laws of the Company.
4.1*	Amended and Restated Credit Agreement dated December 22, 1998 among the Company, The Chase Manhattan Bank, individually and as Administrative Agent, Fleet Bank, N.A., individually and as Co-Agent, Bank of America National Trust and Savings Association, Mellon Bank, N.A., and Wells Fargo Bank, N.A.
10.1(a)+	Non-Qualified Stock Option Incentive Plan, as amended through August 26, 1996. (Exhibit 10.1(a) to the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 1996).
10.1(b)+*	1995 Non-Qualified Stock Option Plan, as amended through January 26, 1998.
10.2(a)+	Employment Agreement dated as of May 1, 1987 between the Company and William Shaw (Exhibit 19.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).
10.2(b)+	Amendment dated January 3, 1989 to Employment Agreement between the Company and William Shaw (Exhibit 19.01(b) to the Company's Annual Report on Form 10-K for the fiscal year ended October 28, 1988, File No. 1-9232).
10.3(a)+	Agreement dated as of May 1, 1987 between the Company and Jerome Shaw (Exhibit 19.02 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).
Exhibit -----	Description -----
10.3(b)+	Amendment dated January 3, 1989 to Agreement between the Company and Jerome Shaw (Exhibit 19.02(b) to the Company's Annual Report on Form 10-K for the Fiscal Year ended October 28, 1988, File No. 1-9232).
10.4(a)+	Agreement dated as of May 1, 1987 between the Company and Irwin B. Robins (Exhibit 19.03 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1987, File No. 1-9232).
10.4(b)+	Amendment dated June 1, 1992 to Agreement between the Company and Irwin B. Robins. (Exhibit 10.04(b) to the Company's Annual Report on Form 10-K for the Fiscal year ended October 30, 1992, File No. 1-9232).
10.4(c)+	Amendment dated April 28, 1994 to Agreement between the Company and Irwin B. Robins. (Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 29, 1994, File No. 1-9232).
10.4(d)+	Amendment dated April 30, 1996 to Agreement between the

Company and Irwin B. Robins (Exhibit 10.04(d) to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1997, File No. 1-9232).

10.4(e)+      Amendment dated April 30, 1998 to Agreement between the Company and Irwin B. Robins (Exhibit 10.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 1, 1998, 1997, File No. 1-9232).

21.\*           Subsidiaries of the Registrant.

23.\*           Consent of Ernst & Young LLP.

27.\*           Financial Data Schedule (filed with electronic version only).

- -----

+      Management contract or compensation plan or arrangement.

\*      Filed herewith. All other exhibits are incorporated herein by reference to the exhibit indicated in the parenthetical references.

BY-LAWS  
OF  
VOLT INFORMATION SCIENCES, INC.

1. MEETINGS OF SHAREHOLDERS

1.1 ANNUAL MEETING: The annual meeting of shareholders shall be held on the third Thursday of March in each year, or as soon thereafter as practicable, and shall be held at a place and time determined by the Board of Directors (the "Board").

1.2 SPECIAL MEETINGS: Special meetings of the shareholders may be called by resolution of the Board or by the President, and shall be called by the President or the Secretary upon the written request (stating the purpose or purposes of the meeting) of a majority of the directors then in office. Only business related to the purposes set forth in the notice of the meeting may be transacted at a special meeting.

1.3 PLACE OF MEETINGS: Meetings of the shareholders may be held in or outside New York State.

1.4 NOTICE OF MEETINGS; WAIVER OF NOTICE: Written notice of each meeting of shareholders shall be given to each shareholder entitled to vote at the meeting, except that (a) it shall not be necessary to give notice to any shareholder who submits a signed waiver of notice before or after the meeting, and (b) no notice of an adjourned meeting need be given except when required by law. Each notice of meeting shall be given, personally or by mail, not less than 10 nor more than 60 days before the meeting and shall state the time and place of the meeting, and unless it is the annual meeting shall state at whose direction the meeting is called and the purposes for which it is called. If mailed, notice shall be considered given when mailed to a shareholder at his address on the Corporation's records. The attendance of any shareholder at a meeting, without protesting before the end of the meeting the lack of notice of the meeting, shall constitute a waiver of notice by him.

1.5 QUORUM: The presence in person or by proxy of the holders of 35% of the shares entitled to vote shall constitute a quorum for the transaction of any business. In the absence of a quorum, a majority in voting interest of those present or, in the absence of all the shareholders, any officer entitled to preside at or to act as secretary of the meeting, may adjourn the meeting until a quorum is present. At any adjourned meeting at which a quorum is present, any action may be taken which might have been taken at the meeting as originally called.

1.6 VOTING PROXIES: Each shareholder of record may attend meetings and vote either in person or by proxy. Corporate action to be taken by shareholder vote, other than the election of directors, shall be authorized by a majority of the votes cast at a meeting of shareholders, except as otherwise provided by law. Directors shall be elected in the manner provided in Section 2.1 of these By-Laws. Voting need not be by ballot unless requested by a shareholder at the meeting or ordered by the chairman of the meeting. Every proxy must be signed by the shareholder or his attorney-in-fact. No proxy shall be valid after eleven months from its date unless it provides otherwise.

EXHIBIT 3.2

1.7 INSPECTORS OF ELECTION: The Board shall have the power to appoint two persons (who need not be shareholders) to act as inspectors of election at each meeting of shareholders. If there are not two inspectors present, ready and willing to act, the chairman presiding at any meeting may appoint a temporary inspector or inspectors to act at such meeting. No candidate for the office of director shall act as an inspector of any election for directors.

1.8 ACTION BY SHAREHOLDERS WITHOUT A MEETING: Any shareholder action may be taken without a meeting in written consent to the action is signed by all shareholders entitled to vote on the action.

1.9 ADVANCE NOTIFICATION OF PROPOSED BUSINESS: To be properly brought before an annual meeting of shareholders, business must be either (1) specified in the notice of annual meeting (or any supplement thereto) given by or at the



direction of the Board, (2) otherwise properly brought before the annual meeting by or at the direction of the Board, or (3) otherwise properly brought before the annual meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting of shareholders by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, such shareholder's notice of proposed business to be brought before the meeting by a shareholder must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the one year anniversary of the date of the notice of the annual meeting of shareholders that was held in the immediately preceding year; provided, however, that in the event that the month and day of the annual meeting of shareholders to be held in the current year is changed by more than thirty (30) calendar days from the one year anniversary of the date the annual meeting of shareholders was held in the immediately preceding year, and less than one hundred thirty (130) days' informal notice to shareholders or other prior public disclosure of the date of the annual meeting in the current year is given or made, notice of such proposed business to be brought before the meeting by the shareholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which formal or informal notice of the date of the annual meeting of shareholders was mailed or such other public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and record address of the shareholder proposing such business, (c) the class, series and number of shares of the Corporation's stock which are beneficially owned by the shareholder and (d) a description of all arrangements or understandings between the shareholder and any other person or persons (naming such person or persons) in connection with the proposing of such business by the shareholder, and any material interest of the shareholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting of shareholders except in accordance with the procedures set forth in this Section of the By-Laws; provided, however, that nothing in this Section of the By-Laws shall be deemed to preclude discussion by any shareholder of any business brought before the annual meeting of shareholders. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting of shareholders in accordance with the provisions of this Section of the By-Laws, and any such business not properly brought before the annual meeting shall not be transacted.

1.10 ADVANCED NOTIFICATION OF PROPOSED NOMINATIONS: Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual meeting of shareholders. Nominations of persons for election to the Board of the Corporation at the annual meeting of shareholders may be made by or at the direction of the Board, by any committee or persons appointed by the Board or by any shareholder of the Corporation entitled to vote for the election of

2

directors at the meeting who complies with the notice procedures set forth in this Section of the By-Laws. Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, such shareholder's notice of nominations of persons to serve as directors must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred fifty (150) days prior to the one year anniversary of the date of the notice of the annual meeting of shareholders that was held in the immediately preceding year; provided, however, that in the event that the month and day of the annual meeting of shareholders to be held in the current year is changed by more than thirty (30) calendar days from the one year anniversary of the date the annual meeting of shareholders was held in the immediately preceding year, and less than one hundred thirty (130) days' informal notice to shareholders or other prior public disclosure of the date of the annual meeting in the current year is given or made to shareholders, notice of such nominations by the shareholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which formal or informal notice of the date of the meeting was mailed or such other public disclosure was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (1) as to

each person whom the shareholder proposes to nominate for election or reelection as a Director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations of proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as director if elected); and (2) as to the shareholder giving the notice (a) the name and record address of the shareholder and (b) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and the defective nomination shall be disregarded.

## 2. BOARD OF DIRECTORS

2.1 NUMBER, QUALIFICATION, ELECTION AND TERM OF DIRECTORS: The business of the Corporation shall be managed by the Board, which shall consist of such number of directors, not less than three nor more than nine, to be fixed from time by the shareholders or a majority of the entire Board. The directors shall be classified with respect to the time during which they shall severally hold office by dividing them into two classes, as nearly equal in number as possible, but in no event shall any class include less than three directors. At the meeting of the shareholders of the Corporation held for the election of the first such classified Board, the directors of the first class shall be elected for a term of one year and the directors of the second class for a term of two years. At each annual meeting of shareholders held thereafter, the successors to the class whose term shall expire that year shall be elected to hold office for a term of two years, so that the term of office of one class of directors shall expire each year. Any newly created directorship or decrease in directorship as authorized by resolution of the Board of Director shall be so apportioned as to make both classes as nearly equal in number as possible. When the number of directors is increased by the Board and any newly created directorship is filled by the Board, there shall be no classification of the additional directors until the next annual meeting of shareholders. No decrease in the number of directors shall shorten the term of any incumbent director. Each director shall be at least 21

3

years old. Directors shall hold office until the annual meeting at which their term expires and until the election of their respective successors.

2.2 QUORUM AND MANNER OF ACTING: A majority of the entire Board shall constitute a quorum for the transaction of business at any meeting, except as provided in Section 2.8 of these By-Laws. Action of the Board shall be authorized by the vote of a majority of the directors present at the time of the vote if there is a quorum, unless otherwise provided by law or these By-Laws. In the absence of a quorum, a majority of the directors present may adjourn any meeting from time to time until a quorum is present.

2.3 PLACE OF MEETINGS: Meetings of the Board may be held in or outside New York State.

2.4 ANNUAL AND REGULAR MEETINGS: Annual meetings of the Board, for the election of officers and consideration of other matters, shall be held either (a) without notice immediately after the annual meeting of shareholders and at the same place, or (b) as soon as practicable after the annual meeting of shareholders, on notice as provided in Section 2.6 of these By-Laws. Regular meetings of the Board may be held without notice at such times and places as the Board determines. If the day fixed for a regular meeting is a legal holiday, the meeting shall be held on the next business day.

2.5 SPECIAL MEETINGS: Special meetings of the Board may be called by the President or by a majority of the directors then in office. Only business

related to the purposes set forth in the notice of meeting may be transacted at a special meeting.

2.6 NOTICE OF MEETINGS; WAIVER OF NOTICE: Notice of the time and place of each special meeting of the Board, and of each annual meeting not held immediately after the annual meeting of shareholders and at the same place, shall be given to each director by mailing it to him at his residence or usual place of business at least three days before the meeting, or by delivering or telephoning or telegraphing it to him at least two days before the meeting. Each notice of a special meeting shall also state the purpose or purposes for which the meeting is called, Notice need not be given to any director who submits a signed waiver of notice before or after the meeting, or who attend the meeting without protesting the lack of notice to him, either before the meeting or when it begins. Notice of any adjourned meeting need not be given, other than by announcement at the meeting at which the adjournment is taken.

2.7 RESIGNATION AND REMOVAL OF DIRECTORS: Any director may resign at any time. Directors may be removed only as provided in the Certificate of Incorporation. Any or all of the directors may be removed at any time, either with or without cause, by vote of the shareholders and any of the directors may be removed for cause by the Board.

2.8 VACANCIES: Any vacancy in the Board, including one created by an increase in the number of directors, may be filled for the unexpired term by a majority vote of the remaining directors, though less than a quorum.

2.9 COMPENSATION: Directors shall receive such compensation as the Board determines, together with reimbursement of their reasonable expenses in connection with the performance of their duties. A director may also be paid for serving the Corporation, its affiliates or subsidiaries in other capacities.

#### 4

### 3. COMMITTEES

3.1 EXECUTIVE COMMITTEE: The Board, by resolution adopted by a majority of the entire Board, may designate an Executive Committee of two or more directors which shall have all the authority of the Board, except as otherwise provided in the resolution or by law, and which shall serve at the pleasure of the Board. All action of the Executive Committee shall be reported to the Board at its next meeting. The Executive Committee shall adopt rules of procedure and shall meet as provided by those rules or by resolution of the Board.

3.2 OTHER COMMITTEES: The Board, by resolution adopted by a majority of the entire Board, may designate other committees of the Board, consisting of two or more directors, to serve at the pleasure of the Board, with such powers and duties as the Board determines.

### 4. OFFICERS

4.1 NUMBER: The executive officers of the Corporation shall be the Chairman of the Board of Directors, the President, one or more Vice Presidents, a Secretary and a Treasurer. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2 ELECTION; TERM OF OFFICE: The executive officers of the Corporation shall be elected annually by the Board, and each such officer shall hold office until the next annual meeting of the Board and until the election of his successor.

4.3 SUBORDINATE OFFICERS: The Board may appoint subordinate officers (including Assistant Secretaries and Assistant Treasurers), agents or employees, each of whom shall hold office for such period and have such powers and duties as the Board determines. The Board may delegate to any executive officer or to any committee the power to appoint and define the powers and duties of any subordinate officers, agents or employees.

4.4 RESIGNATION AND REMOVAL OF OFFICERS: Any officer may resign at any time. Any officer elected or appointed by the Board or appointed by an executive officer or by a committee may be removed by the Board either with or without cause.

4.5 VACANCIES: A vacancy in any office may be filled for the unexpired term in the manner prescribed in Sections 4.2 and 4.3 of these By-Laws for election or appointment to the office.

4.6 CHAIRMAN OF THE BOARD OF DIRECTORS: The Chairman of the Board of Directors shall, when present, preside at all meetings of the Board and at all meetings of shareholders. He shall have the same power as the President to execute contracts and other instruments on behalf of the Corporation except as otherwise provided by law or by the Board, and he shall have such other powers and duties as the Board assigns to him. During the absence or disability of the President, he shall exercise all powers and discharge all the duties of the president.

4.7 PRESIDENT: The President shall be the chief executive officer of the Corporation, and he shall have general supervision over the business and affairs of the Corporation. He shall, in the absence of the Chairman of the Board of Directors, preside at all meetings of the Board and meetings of shareholders. He shall have the power to execute contracts and other instruments of the Corporation, and such other powers and duties as the Board assigns to him.

5

4.8 VICE PRESIDENTS: Each Vice President shall have such powers and duties as the Board or the President assigns to him.

4.9 SECRETARY: The Secretary shall record the minutes of all meetings of the Board and of the shareholders, shall be responsible for giving notice of all meetings of shareholders and of the Board, shall keep the seal of the Corporation and, in proper cases, shall apply it to any instrument requiring it and attest it. He shall have such other duties as the Board or the President assigns to him. In the absence of the Secretary from any meeting, the minutes shall be recorded by the person appointed for that purpose by the presiding officer.

4.10 TREASURER: The Treasurer shall be the chief financial and accounting officer of the Corporation. Subject to the control of the Board and the President, the Treasurer shall have charge of the Corporation's funds and securities and the Corporation's receipts and disbursements. He shall have such other powers and duties as the Board or the President assigns to him.

4.11 SALARIES: The Board may fix the officers' salaries or it may authorize the President to fix the salary of any other officer.

5. SHARES

5.1 CERTIFICATES: The shares of the Corporation shall be represented by certificates in the form approved by the Board.

5.2 TRANSFERS: Shares shall be transferable only on the Corporation's books, upon surrender of the certificate for the shares, properly endorsed. The Board may require satisfactory surety before issuing a new certificate claimed to have been lost or destroyed.

5.3 DETERMINATION OF SHAREHOLDERS OF RECORD: The Board may fix, in advance, a date as the record date for the determination of shareholders entitled to notice of or to vote at any meeting of the shareholders, or to express consent to or dissent from any proposal without a meeting, or to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action. The record date may not be more than 60 nor less than 10 days before the date of the meeting, nor more than 60 days before any other action.

6. INDEMNIFICATION

6.1 GENERAL: Any person made, or threatened to be made, a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, and including an action by or in the right of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise to procure a judgment in its respective favor (any such action, suit or proceeding is hereinafter referred to as an "Action"), by reason of the fact that such person or such person's testator or intestate (a) is or was a director or officer of the Corporation, or (b) is or was serving any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of the Corporation, shall be indemnified by the Corporation against judgments, fines, amounts paid in settlement and reasonable expenses (including attorney's fees) incurred in connection with the defense or as a result of an Action or in connection with any appeal therein; provided that no

indemnification shall be made to or on behalf of any director or officer if a judgment or other final adjudication adverse to such director or officer establishes that (i) his or her acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he or she personally gained in fact a financial profit

6

or other advantage to which he or she was not legally entitled. The Corporation may indemnify and advance expenses to any other person to whom the Corporation is permitted to provide indemnification or the advancement of expenses to the fullest extent permitted by applicable law, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law or other law, or other rights created by an agreement approved by the Board, or resolution of shareholders or the Board, and the adoption of any such resolution or the entering into of any such agreement approved by the Board is hereby authorized.

6.2 EXPENSE ADVANCES: The Corporation shall, from time to time, advance to any director or officer of the Corporation expenses (including attorney's fees) incurred in defending any Action in advance of the final disposition of such Action; provided that no such advancement shall be made until receipt of any undertaking by or on behalf of such director or officer to repay such amount as, and to the extent, required by law.

6.3 PROCEDURE FOR INDEMNIFICATION: Indemnification and advancement of expenses under this Section 6 shall be made promptly and, in any event, no later than 45 days following the request of the person entitled to such indemnification or advancement of expenses hereunder. The Board shall promptly (but, in any event, within such 45-day period) take all such actions (including, without limitation, any authorizations and findings required by law) as may be necessary to indemnify, and advance expenses to, each person entitled thereto pursuant to this Section 6. If the Board is or may be disqualified by law from granting any authorization, making any finding or taking any other action necessary or appropriate for such indemnification or advancement, then the Board shall use its best efforts to cause appropriate person(s) to promptly so authorize, find or act.

6.4 INSURANCE: The Corporation shall be permitted to purchase and maintain insurance for its own indemnification and that of its directors and officers and any other proper person to the maximum extent permitted by law.

6.5 NON-EXCLUSIVITY: Nothing contained in this Section 6 shall limit the right of indemnification and advancement of expense to which any person would be entitled by law in the absence of this Section 6, or shall be deemed exclusive of any rights to which those seeking indemnification or advancement of expenses may have or hereafter be entitled under any law, provision of the Certificate of Incorporation, By-Law, agreement approved by the Board, or resolution of shareholders or directors, and the adoption of any such resolution or entering into of any such agreement approved by the Board is hereby authorized.

6.6 CONTINUITY OF RIGHTS: The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 6 shall (i) continue as to a person who has ceased to serve in a capacity which would entitle such person to indemnification or advancement of expenses pursuant to this section 6 with respect to acts or omissions occurring prior to such cessation, (ii) inure to the benefit of the heirs, executors and administrators of a person entitled to the benefits of this Section 6 (iii) apply with respect to acts or omissions occurring prior to the adoption of this Section 6 to the fullest extent permitted by law and (iv) survive the full or partial repeal or restrictive amendment hereof with respect to events occurring prior thereto. This Section 6 shall constitute a contract between the Corporation and each person eligible for indemnification or advancement of expenses hereunder, pursuant to which contract the Corporation and each person intend to be legally bound.

6.7 ENFORCEMENT: The right to indemnification and advancement of expenses provide by this Section 6 shall be enforceable by any person entitled to indemnification or advancement of expenses hereunder in any court of competent jurisdiction. In such an enforcement action the burden shall be on the Corporation to prove that the indemnification and advancement of expenses being sought are not appropriate. Neither

the failure of the Corporation to determine whether indemnification or the advancement of expenses is proper in the circumstances nor an actual determination by the Corporation thereon adverse to the person seeking such indemnification or advancement shall constitute a defense to the action or create a presumption that such person is not so entitled. Without limiting the scope of Section 6.1 (a) a person who has been successful on the merits or otherwise in the defense of an Action shall be entitled to indemnification as authorized in Section 6.1 and (b) the termination of any Action by judgment, settlement, conviction or plea of nolo contendere or its equivalent shall not in itself create a presumption that such person has not met the standard of conduct set forth in Section 6.1. Such person's reasonable expenses incurred in connection with successfully establishing such person's right to indemnification or advancement of expenses, in whole or in part, in any such proceeding shall also be indemnified by the Company.

6.8 SEVERABILITY: In this section 6 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation nevertheless shall indemnify and advance expense to each person otherwise entitled thereto to the fullest extent permitted by any applicable portion of this Section 6 that shall not have been invalidated.

## 7. MISCELLANEOUS

7.1 SEAL: The seal of the Corporation shall be in the form of a circle and shall bear the Corporation's name and the year (1957) and state (New York) in which it was incorporated.

7.2 FISCAL YEAR: The Board may determine the Corporation's fiscal year. Until changed by the Board, the Corporation's fiscal year shall end on the Friday closest to October 31 of each year.

7.3 VOTING OF SHARES IN OTHER CORPORATIONS: Shares in other corporations which are held by the Corporation may be represented and voted by the President or a Vice President or by a proxy or proxies appointed by one of them. The Board may, however, appoint some other person to vote any such shares.

7.4 AMENDMENTS: Any By-Law may be amended, repealed or adopted by the shareholders or by a majority of the entire Board, but any By-Law adopted by the Board may be amended or repealed by the shareholders. If a By-Law regulating elections of directors is amended, repealed or adopted by the Board, the notice of the next meeting of shareholders shall set forth the By-Law so amended, repealed or adopted together with a concise statement of the changes made.

AT A MEETING OF THE BOARD OF DIRECTORS HELD ON OCTOBER 28, 1975, THE FOLLOWING SECTION WAS ADDED TO THE COMPANY'S BY-LAWS:

"Any one or more members of the Board of Directors or any committee thereof may participate in a meeting of such Board or Committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting."

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of  
December 22, 1998  
among

VOLT INFORMATION SCIENCES, INC.,  
The Lenders Party Hereto,

THE CHASE MANHATTAN BANK,  
as Administrative Agent

and

FLEET BANK, N.A.,  
as Co-Agent

CHASE SECURITIES INC., as Book Manager and  
as Arranger

\$75,000,000 Revolving Credit Facility

EXHIBIT 4.1

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

	Page
	---
	<C>
ARTICLE I DEFINITIONS .....	1
SECTION 1.01. Defined Terms .....	1
SECTION 1.02. Classification of Loans and Borrowings .....	15
SECTION 1.03. Terms Generally .....	15
SECTION 1.04. Accounting Terms; GAAP .....	16
ARTICLE II THE CREDITS .....	16
SECTION 2.01. Commitments .....	16
SECTION 2.02. Loans and Borrowings .....	16
SECTION 2.03. Requests for Revolving Borrowings .....	17
SECTION 2.04. Competitive Bid Procedure .....	18
SECTION 2.05. Swingline Loans .....	21
SECTION 2.06. Letters of Credit .....	22
SECTION 2.07. Funding of Borrowings .....	26
SECTION 2.08. Interest Elections .....	27
SECTION 2.09. Termination and Reduction of Commitments; Discretionary Extension .....	29
SECTION 2.10. Repayment of Loans; Refinancing of Competitive Loans; Evidence of Debt ..	30
SECTION 2.11. Prepayment of Loans .....	31
SECTION 2.12. Fees .....	32
SECTION 2.13. Interest .....	33
SECTION 2.14. Alternate Rate of Interest .....	34
SECTION 2.15. Increased Costs .....	35
SECTION 2.16. Break Funding Payments .....	36
SECTION 2.17. Taxes .....	36
SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs .....	37
SECTION 2.19. Mitigation Obligations; Replacement of Lenders .....	39
SECTION 2.20. Subsidiary Borrowers .....	40

</TABLE>

<TABLE>  
<CAPTION>

Page

----

<S>

<C>

ARTICLE III REPRESENTATIONS AND WARRANTIES..... 40

SECTION 3.01. Organization; Powers..... 40

SECTION 3.02. Authorization; Enforceability..... 40

SECTION 3.03. Governmental Approvals; No Conflicts..... 40

SECTION 3.04. Financial Condition; No Material Adverse Change..... 41

SECTION 3.05. Properties..... 41

SECTION 3.06. Litigation and Environmental Matters..... 42

SECTION 3.07. Compliance with Laws and Agreements; No Default..... 42

SECTION 3.08. Investment and Holding Company Status; Federal Reserve  
Regulations..... 42

SECTION 3.09. Taxes..... 43

SECTION 3.10. ERISA..... 43

SECTION 3.11. Subsidiaries; Joint Ventures..... 43

SECTION 3.12. Use of Proceeds..... 43

SECTION 3.13. Labor Matters..... 44

SECTION 3.14. Solvency..... 44

SECTION 3.15. Disclosure..... 44

SECTION 3.16. Year 2000..... 44

SECTION 3.17. Receivable Program..... 45

ARTICLE IV CONDITIONS..... 45

SECTION 4.01. Effective Date..... 45

SECTION 4.02. Each Credit Event..... 46

ARTICLE V AFFIRMATIVE COVENANTS..... 47

SECTION 5.01. Financial Statements and Other Information..... 47

SECTION 5.02. Notices of Certain Events..... 48

SECTION 5.03. Existence; Conduct of Business..... 49

SECTION 5.04. Payment of Obligations..... 49

SECTION 5.05. Maintenance of Properties; Insurance..... 49

SECTION 5.06. Books and Records; Inspection Rights..... 50

SECTION 5.07. Compliance with Laws..... 50

SECTION 5.08. Use of Proceeds and Letters of Credit..... 50

</TABLE>

<TABLE>  
<CAPTION>

Page

----

<S>

<C>

SECTION 5.09. Further Assurances ..... 50

ARTICLE VI NEGATIVE COVENANTS ..... 50

SECTION 6.01. Indebtedness ..... 51

SECTION 6.02. Liens ..... 51

SECTION 6.03. Fundamental Changes ..... 51

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions ..... 52

SECTION 6.05. Hedging Agreements ..... 53

SECTION 6.06. Restricted Payments ..... 53

SECTION 6.07. Transactions with Affiliates ..... 54

SECTION 6.08. Restrictive Agreements ..... 54

SECTION 6.09. Priority of Obligations ..... 54

SECTION 6.10. Certain Financial Covenants ..... 54

SECTION 6.11. Accounting, Fiscal Year ..... 55

SECTION 6.12. Equal and Ratable Lien; Equitable Lien ..... 56

ARTICLE VII EVENTS OF DEFAULT ..... 56



SECTION 9.01. Notices ..... 60

SECTION 9.02. Waivers; Amendments ..... 61

SECTION 9.03. Expenses; Indemnity; Damage Waiver ..... 62

SECTION 9.04. Successors and Assigns ..... 63

SECTION 9.05. Survival ..... 65

SECTION 9.06. Counterparts; Integration; Effectiveness ..... 66

SECTION 9.07. Severability ..... 66

SECTION 9.08. Right of Setoff ..... 66

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process;  
Judgement Currency ..... 67

SECTION 9.10. WAIVER OF JURY TRIAL ..... 68

SECTION 9.11. Headings ..... 68

SECTION 9.12. Confidentiality ..... 68

</TABLE>

<TABLE>

<CAPTION>

Page

----

<S>

<C>

SECTION 9.13. Interest Rate Limitation..... 69

SECTION 9.14. European Economic and Monetary Union..... 69

SECTION 9.15. Multiple Borrowers..... 72

EXHIBITS:

- Exhibit A -- Form of Assignment and Acceptance
- Exhibit 2.09(d) -- Form of Request to Extend Maturity Date
- Exhibit 2.20 -- Form of New Borrower Supplement
- Exhibit 4.01(b) -- Form of Opinion of Borrower's Counsel

SCHEDULES:

- Schedule 2.01 -- Commitments
- Schedule 2.06 -- Existing Letters of Credit
- Schedule 3.04 -- Existing Indebtedness
- Schedule 3.06 -- Disclosed Matters
- Schedule 3.11 -- Subsidiaries, Investments, Joint Ventures and Partnerships
- Schedule 3.13 -- Labor Matters
- Schedule 6.02 -- Existing Liens
- Schedule 6.08 -- Existing Restrictions

</TABLE>

AMENDED AND RESTATED CREDIT AGREEMENT dated as of December 22, 1998 among VOLT INFORMATION SCIENCES, INC., any Subsidiary Borrower that hereafter becomes a party hereto, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent, and FLEET BANK, N.A., as Co-Agent.

RECITALS

The Domestic Borrower, the Lenders, the Co-Agent and the Administrative Agent are parties to the Credit Agreement dated as of July 2, 1997 (as heretofore amended or supplemented, the "Original Credit Agreement").

The parties hereto wish to make certain changes to the Original Credit Agreement to, among other things, provide for the addition of an additional borrower, provide for a multi-currency funding option, and extend the Maturity Date, and for convenience of reference, the parties hereto wish to amend and restate the Original Credit Agreement in its entirety.

The loans outstanding under the Original Credit Agreement on the Effective Date shall continue as outstanding Loans under this Agreement, with the same Interest Periods (if any) as then in effect, and the Existing Letters of Credit shall continue as outstanding Letters of Credit under this Agreement.

NOW THEREFORE, in consideration of the mutual agreements herein, the parties hereto hereby agree that the Original Credit Agreement is hereby amended and restated in its entirety as follows:

Article I  
Definitions

SECTION 1.01. Defined Terms.

As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing or Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent, and as to any Lender, means such Administrative Questionnaire most recently delivered by such Lender to the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Principal Amount Outstanding" shall mean, at any time, the sum of (i) the aggregate principal amount at such time of all outstanding Loans denominated in dollars and (ii) the aggregate Equivalent Dollar Amount at such time of the principal amount of all outstanding Eurocurrency Loans

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"Alternative Currency" shall mean Sterling.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurodollar Loan or Eurocurrency Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurodollar/Eurocurrency Loan Spread" or "Facility Fee Rate", based upon the Specified Ratio applicable on such date:

<TABLE>

<CAPTION>

Specified Ratio:	Eurodollar/Eurocurrency Loan Spread	Facility Fee Rate
<S>	<C>	<C>
Less than or equal to 0.30	0.25%	.2500%
Greater than 0.30 but less than or	0.25%	.2750%

equal to 0.40		
Greater than 0.40	0.275%	.3000%

</TABLE>

"Assessment Rate" means, for any day, the annual assessment rate in effect on such day that is payable by a member of the Bank Insurance Fund classified as "well-capitalized" and within supervisory subgroup "B" (or a comparable successor risk classification) within the meaning of 12 C.F.R. Part 327 (or any successor provision) to the Federal Deposit Insurance

2

Corporation for insurance by such Corporation of time deposits made in dollars at the offices of such member in the United States; provided that if, as a result of any change in any law, rule or regulation, it is no longer possible to determine the Assessment Rate as aforesaid, then the Assessment Rate shall be such annual rate as shall be determined by the Administrative Agent to be representative of the cost of such insurance to the Lenders.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Base CD Rate" means the sum of (a) the Three-Month Secondary CD Rate multiplied by the Statutory Reserve Rate plus (b) the Assessment Rate.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowers" means, collectively, the Domestic Borrower and, from and after such time as a Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such Subsidiary Borrower.

"Borrowing" means (a) Revolving Loans to the same Borrower of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans and Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"Borrowing Request" means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03 or a request deemed to have been made by the Domestic Borrower for an ABR Revolving Borrowing in accordance with Section 2.10(a).

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, (i) when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market and (ii) when used in connection with a Eurocurrency Loan, "Business Day" shall also exclude any day on which commercial banks are not open for foreign exchange business in London.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

3

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than

the Shaw Group, of shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Domestic Borrower if the Shaw Group shall not have direct beneficial ownership of shares representing at least 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Domestic Borrower; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Domestic Borrower by Persons who were neither (i) nominated by the board of directors of the Domestic Borrower nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Domestic Borrower by any Person or group other than the Shaw Group.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans or Swingline Loans.

"Co-Agent" means Fleet Bank, in its capacity as Co-Agent hereunder.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$75,000,000.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by a Borrower for Competitive Bids in accordance with Section 2.04.

4

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Assets" means, as of the date of determination thereof, all assets of the Domestic Borrower and its consolidated Subsidiaries that would, in accordance with GAAP, be classified on a consolidated balance sheet of the Domestic Borrower and its consolidated Subsidiaries as assets.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Document" means each of this (i) Agreement, each Note, each application and other agreement in respect of any Letter of Credit, in each case as supplemented, modified, or amended from time to time, and (ii) each instrument or agreement supplementing, modifying or amending, or waiving any provision of, any Credit Document.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Denomination Date" shall mean, in relation to any Eurocurrency Borrowing, the date that is three Business Days before the date of such Borrowing.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "\$" refers to lawful money of the United States of America.

"Domestic Borrower" means Volt Information Sciences, Inc., a New York corporation.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Domestic Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

5

"Equivalent Dollar Amount" shall mean, with respect to an amount of the Alternative Currency on any date, the amount of dollars that may be purchased with such amount of such Alternative Currency at the Spot Exchange Rate on such date.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with a Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by a Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by a Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by a Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by a Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from a Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are denominated in

the Alternative Currency and bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which a Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a

6

request by a Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from a Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Existing Letter of Credit" means each letter of credit outstanding on the Effective Date and listed on Schedule 2.06 hereto.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Domestic Borrower.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurodollar Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Domestic Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation,

contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such

7

Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Interest Election Request" means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan or Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing or a

8

Eurocurrency Borrowing with an Interest Period of more than three months' duration each day prior to the last day of such Interest Period that occurs at intervals of three months' duration, after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day

prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing or Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days nor more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing or Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing or Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Domestic Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person

9

that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement and each Existing Letter of Credit.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute pages of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period as the rate for dollar deposits with a maturity comparable to such Interest Period. The "LIBO Rate" with respect to any Eurocurrency Borrowing or, in the event that the rate set forth above is at any time not available for any reason with respect to any Eurodollar Borrowing for the applicable Interest Period, such Eurodollar Borrowing, shall be the rate at which deposits of an amount for which the Equivalent Dollar Amount is \$5,000,000 for a maturity comparable to such Interest Period in the currency in which such Borrowing is denominated are offered to the principal London office of the Administrative Agent in immediately available funds in the London interbank



market at approximately 11:00 a.m., London time, (i) two Business Days prior to the commencement of such Interest Period with respect to a Eurodollar Borrowing or (ii) on the Quotation Date for such Interest Period with respect to a Eurocurrency Borrowing.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrowers pursuant to this Agreement, including all Loans outstanding under the Original Credit Agreement on the Effective Date.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Domestic Borrower and the Subsidiaries taken as a whole, (b) the ability of the Domestic Borrower to perform any of its obligations under this Agreement or any other Credit Document or (c) the rights of or benefits available to the Lenders under this Agreement or any other Credit Document.

10

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Domestic Borrower and its Subsidiaries in an aggregate principal amount exceeding \$4,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Domestic Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements in accordance with GAAP) that the Domestic Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Material Subsidiary" means any Subsidiary Borrower and any Subsidiary which, at any date of determination thereof, has total assets having a fair market value (without deduction for any Liens) of \$500,000 or more.

"Maturity Date" means January 2, 2002.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means each promissory note executed and delivered by any Borrower to a Lender as set forth in Section 2.10(e).

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not

overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

11

(e) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Domestic Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), denominated in dollars and in each case maturing within three years from the date of acquisition thereof;

(b) investments in commercial paper denominated in dollars and maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, a credit rating of at least A-2 from S&P and at least P-2 from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000 and which is rated at least A-2 by S&P and P-2 by Moody's in the note or commercial paper rating category; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which a Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

12

"Quotation Date" means, with respect to a Eurocurrency Borrowing, the

day on which quotations would ordinarily be quoted by prime banks in the London Interbank Market for deposits in the Alternative Currency for delivery on the first day of the applicable Interest Period, as determined by the Administrative Agent; provided that if there is more than one such day, the latest of such days shall be the Quotation Date.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any shares of any class of capital stock of the Domestic Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of capital stock of the Domestic Borrower or any option, warrant or other right to acquire any such shares of capital stock of the Domestic Borrower.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans denominated in dollars, plus the Equivalent Dollar Amount of the outstanding principal amount of such Lender's Eurocurrency Loans, plus such Lender's LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"Shaw Group" means William Shaw, Jerome Shaw and their respective spouses and descendants.

"S&P" means Standard & Poor's.

"Senior Note" has the meaning set forth in Section 4.01(e).

"Senior Note Purchase Agreement" has the meaning set forth in Section 4.01(e).

"Specified Ratio" means, at any time, the ratio of Consolidated Debt to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth (in each case based on the financial information most recently furnished pursuant to Section 5.01). For purposes of this definition,

13

the terms "Consolidated Debt" and "Consolidated Net Worth" shall have the meanings given thereto in the Senior Note Purchase Agreement.

"Spot Exchange Rate" shall mean, on any day, with respect to the Alternative Currency, the spot rate at which dollars are offered on such day by The Chase Manhattan Bank in London for such Alternative Currency at approximately 11:00 A.M. (London time).

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject (a) with respect to the Base CD Rate, for new negotiable nonpersonal time deposits in dollars of over \$100,000 with maturities approximately equal to three months and (b) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D.

Eurocurrency Loans and Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Sterling" or "(pound)" shall mean the lawful money of the United Kingdom.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Domestic Borrower.

"Subsidiary Borrower" shall mean any Subsidiary of the Domestic Borrower which becomes a Borrower pursuant to Section 2.20.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means The Chase Manhattan Bank, in its capacity as lender of Swingline Loans hereunder.

14

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Three-Month Secondary CD Rate" means, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day is not a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day) or, if such rate is not so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 a.m., New York City time, on such day (or, if such day is not a Business Day, on the next preceding Business Day) by the Administrative Agent from three negotiable certificate of deposit dealers of recognized standing selected by it.

"Transactions" means the execution, delivery and performance by the Borrowers of this Agreement, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to (i) whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate and (ii) the currency in which such Loan or the Loans comprising such Borrowing are denominated.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings.

For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be

15

construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP.

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrowers notify the Administrative Agent that the Borrowers request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrowers that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Article II  
The Credits

SECTION 2.01. Commitments.

Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (b) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments or (c) the aggregate principal amount of Loans outstanding to the Subsidiary Borrowers in the aggregate exceeding \$10,000,000. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with

the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any

16

other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans, Eurodollar Loans or Eurocurrency Loans, as the applicable Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurodollar Loans or Fixed Rate Loans as the applicable Borrower may request in accordance herewith; provided that the Equivalent Dollar Amount of the aggregate principal amount of Eurocurrency Loans outstanding at the time of any Borrowing shall not exceed \$10,000,000. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan or Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$2,000,000. At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount which is an integral multiple of pound sterling 500,000 Pound Sterling and not less than pound sterling 1,000,000 Pound Sterling. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$1,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) or the repayment of a Competitive Loan as contemplated by Section 2.10(a). For purposes of this Section, any Eurocurrency Revolving Borrowing shall be deemed to be in an amount equal to the Equivalent Dollar Amount of such Eurocurrency Revolving Borrowing determined as of its Denomination Date. Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$2,000,000. Each Swingline Loan shall be in an amount that is an integral multiple of \$10,000 and not less than \$250,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of eight (8) Eurodollar Revolving Borrowings and Eurocurrency Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrowers shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

#### SECTION 2.03. Requests for Revolving Borrowings.

To request a Revolving Borrowing, the applicable Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing, (b) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., London time, three Business Days before the date of the proposed Borrowing, or (c) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the Business Day of the proposed

17

Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing, which in the case of a Eurocurrency Borrowing shall be expressed in the Alternative Currency;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing, a Eurodollar Borrowing or a Eurocurrency Borrowing ;

(iv) in the case of a Eurodollar Borrowing or a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of such Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing or Eurocurrency Revolving Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following (i) receipt of a Borrowing Request in accordance with this Section or (ii) the time at which the Administrative Agent is deemed to have received a Borrowing Request in accordance with Section 2.10(a), as applicable, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

#### SECTION 2.04. Competitive Bid Procedure.

(a) Subject to the terms and conditions set forth herein, from time to time during the Availability Period the Domestic Borrower may request Competitive Bids and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the total Commitments. To request Competitive Bids, the Domestic Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Domestic Borrower may submit up to (but not more than) three Competitive Bid Requests on the same day, but a Competitive Bid Request

18

shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Domestic Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Eurodollar Borrowing or a Fixed Rate Borrowing;

(iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Domestic Borrower's account to which funds are to be disbursed, which shall comply with the

requirements of Section 2.07.

If the Domestic Borrower makes two or three telephonic Competitive Bid Requests on any day, it may, for convenience confirm such Requests in one combined written Competitive Bid Request (rather than separate written Competitive Bid Requests) so long as such combined Competitive Bid Request is in a form approved by the Administrative Agent, is signed by the Domestic Borrower and includes the information described in clauses (i) through (v) above for each Borrowing of Competitive Loans requested in such composite Request. Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Domestic Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurodollar Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall so notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$2,000,000 and an integral multiple of \$500,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Domestic Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no

19

more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof.

(c) The Administrative Agent shall promptly notify the Domestic Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Domestic Borrower may accept or reject any Competitive Bid. The Domestic Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurodollar Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Domestic Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Domestic Borrower shall not accept a Competitive Bid made at a particular Competitive Bid Rate if the Domestic Borrower rejects a Competitive Bid made at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Domestic Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Domestic Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$2,000,000 and an integral multiple of \$500,000; provided further that if a Competitive Loan must be in an amount less than \$2,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$500,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$500,000 in a manner determined by the Domestic Borrower. A notice given by the Domestic Borrower pursuant to this paragraph shall be irrevocable.



(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Domestic Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

20

(g) The Domestic Borrower shall pay the Administrative Agent for its own account the sum of \$2,500 for each Competitive Bid Request. Amounts owing under this paragraph shall be payable quarterly in arrears on the last day of each March, June, September and December.

#### SECTION 2.05. Swingline Loans.

(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Domestic Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$5,000,000 or (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Domestic Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Domestic Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan, and the maturity date thereof, which shall be a Business Day occurring subsequent to the date of such Swingline Loan but not later than the earlier of (i) the date that is thirty (30) days from the date of such Swingline Loan or (ii) the Maturity Date (provided that Swingline Loans are subject to earlier mandatory repayment as provided in the proviso of Section 2.10(a)). The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Domestic Borrower. The Swingline Lender shall make each Swingline Loan available to the Domestic Borrower by means of a credit to the general deposit account of the Domestic Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and

21

Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the

Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Domestic Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Domestic Borrower (or other party on behalf of the Domestic Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Domestic Borrower of any default in the payment thereof.

#### SECTION 2.06. Letters of Credit.

(a) General.

Subject to the terms and conditions set forth herein, the Domestic Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period (other than the last five Business Days thereof). In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Domestic Borrower to, or entered into by the Domestic Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions.

To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Domestic Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Domestic Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Domestic Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$25,000,000 and (ii) the sum of the total Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the total Commitments. The Issuing Bank shall give the Domestic Borrower and the Administrative

22

Agent reasonably prompt notice of the issuance of each Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit) and the Administrative Agent, in turn, shall give reasonably prompt notice thereof to the Lenders.

(c) Expiration Date.

Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof as provided in the following sentence, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date. Subject to clause (ii) of the preceding sentence, any Letter of Credit with a one year tenor may provide for the automatic renewal thereof for additional one year periods (or each shorter period ending prior to the date set forth in clause

(ii) of the preceding sentence) unless at least 30 days prior to the then current stated expiration date of such Letter of Credit the Issuing Bank sends the beneficiary of such Letter of Credit notice of the Issuing Bank's election not to renew such Letter of Credit for any additional period (which notice of nonrenewal shall not be sent without the Domestic Borrower's consent unless a Default or Event of Default shall have occurred and be continuing).

(d) Participations.

By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In addition, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in each Existing Letter of Credit equal to such Lender's Applicable Percentage of the stated amount of each Existing Letter of Credit, effective on the Effective Date. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Domestic Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Domestic Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement.

If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Domestic Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Domestic Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if

23

such notice has not been received by the Domestic Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Domestic Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Domestic Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than \$1,000,000, the Domestic Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Domestic Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Loans or Swingline Loan. If the Domestic Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Domestic Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Domestic Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Domestic Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not

relieve the Domestic Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute.

The Domestic Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Domestic Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or

24

delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Domestic Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Domestic Borrower to the extent permitted by applicable law) suffered by the Domestic Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures.

The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Domestic Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Domestic Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest.

If the Issuing Bank shall make any LC Disbursement, then, unless the Domestic Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Domestic Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Domestic Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that

interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank.

The Issuing Bank may be replaced at any time by written agreement among the Domestic Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank.

25

At the time any such replacement shall become effective, the Domestic Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization.

If any Event of Default shall occur and be continuing, on the Business Day that the Domestic Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Domestic Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrowers under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrowers' risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Domestic Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrowers under this Agreement. If the Domestic Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Domestic Borrower within three Business Days after all Events of Default have been cured or waived.

SECTION 2.07. Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders not later than 12:00 noon, New York City time, or, in the case of funds in the Alternative Currency, 12:00 noon,

26

London time; provided that Swingline Loans shall be made as provided in Section

2.05. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower maintained with the Administrative Agent in New York City or London, as the case may be, and designated by such Borrower in the applicable Borrowing Request or Competitive Bid Request; provided that (i) ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank and (ii) ABR Revolving Loans made to finance the repayment of the principal amount of a Competitive Loan as provided in Section 2.10(a) shall be remitted by the Administrative Agent to the Lender of such Competitive Loan.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of a Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

#### SECTION 2.08. Interest Elections.

(a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing or a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing or a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrowers may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued, but which may, in accordance with the other terms and conditions of this Agreement, be refinanced by Revolving Borrowings.

(b) To make an election pursuant to this Section, the applicable Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each

27

such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by such Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing, a Eurodollar Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing or a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing or a Eurocurrency Borrowing but does not specify an Interest Period, then (if a Eurocurrency Borrowing or a Eurodollar Borrowing, as the case may be, is available at such time pursuant to the terms hereof) the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If a Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if the Administrative Agent has received notice from a Borrower or any Lender that an Event of Default has occurred and is continuing, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing and each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

28

#### SECTION 2.09. Termination and Reduction of Commitments; Discretionary Extension.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$500,000 and not less than \$500,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Revolving Credit Exposures plus the aggregate principal amount of outstanding Competitive Loans would exceed the total Commitments.

(c) The Borrowers shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrowers pursuant to this Section shall be irrevocable. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) Subject to the conditions and procedures of this paragraph (d), the Domestic Borrower may at any time not earlier than January 2 nor later than January 31 of each year (commencing January 2, 2000) prior to the Maturity Date, but only on one such occasion in each calendar year, request that the Maturity Date be extended for a one-year period, and if each of the Lenders and the Issuing Bank agrees to such request, the Maturity Date shall be so extended. Any such extension of the Maturity Date shall be effected only pursuant to the following procedures:

(i) Not earlier than January 2 nor later than January 31, the Domestic Borrower shall deliver to the Administrative Agent a notice dated the date such notice is given, substantially in the form of Exhibit 2.09(d) hereto, of its request to extend the Maturity Date by one year. The Administrative Agent shall promptly (but in any event within two Business Days) send copies of such notice to each Lender and

the Issuing Bank. Each Lender and the Issuing Bank, each acting in its sole and absolute discretion, shall, by written notice to the Administrative Agent (which shall notify the Domestic Borrower) given not later than 5:00 p.m., New York City time, on the date (the "Consent Date") 30 days after the date of the Domestic Borrower's request, advise the Administrative Agent whether or not such Lender or the Issuing Bank agrees to such extension; provided that each Lender or the Issuing Bank that determines not to extend the Maturity Date (a "Non-extending Lender") shall notify the Administrative Agent (which shall notify the other Lenders, the Issuing Bank and the Domestic Borrower) of such fact promptly after such determination (but in any event no later than the Consent Date) and any Lender or the Issuing Bank that does not advise the Administrative Agent on or before the Consent Date shall be deemed to be a Non-extending Lender. The

29

election of any Lender or the Issuing Bank to agree to such extension shall not obligate any other Lender or the Issuing Bank to so agree.

(ii) If, for any reason, the Domestic Borrower is unable to obtain the agreement of all of the Lenders and the Issuing Bank to any such extension, the Maturity Date shall not be extended as requested by the Domestic Borrower (and the procedure set forth in this Section 2.09(d) shall not be available in any subsequent calendar year).

(iii) If (and only if) each Lender and the Issuing Bank shall have agreed to such extension, then, on the date (the "Extension Date") that is 30 days after the Consent Date, the Maturity Date shall be extended by one year (except that, if the date one year after the Maturity Date is not a Business Day, such Maturity Date as so extended shall be the next preceding Business Day).

(iv) Notwithstanding the foregoing, the extension of the Maturity Date shall not be effective with respect to any Lender or the Issuing Bank unless:

(A) no Default shall have occurred and be continuing on and as of each of the date of the notice requesting such extension and the Extension Date; and

(B) each of the representations and warranties made by the Domestic Borrower in this Agreement and the other Credit Documents shall be true and complete on and as of each of the date of the notice requesting such extension and the Extension Date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(v) The Administrative Agent shall give prompt written notice to the Domestic Borrower, the Issuing Bank and each Lender confirming any extended Maturity Date.

(e)

#### SECTION 2.10. Repayment of Loans; Refinancing of Competitive Loans; Evidence of Debt.

(a) The Domestic Borrower and each Subsidiary Borrower hereby jointly and severally and unconditionally promise to pay to the Administrative Agent for the account of each Lender on the Maturity Date the then unpaid principal amount of each Revolving Loan made to such Subsidiary Borrower. The Domestic Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender on the Maturity Date the then unpaid principal amount of each Revolving Loan made to the Domestic Borrower, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last day of the Interest Period applicable to such Loan and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the maturity date thereof requested in accordance with Section 2.05; provided that on each date that a Revolving



Borrowing or Competitive Borrowing is made, the Domestic Borrower shall repay all Swingline Loans then outstanding. Unless the Administrative Agent shall have received notice from the Domestic Borrower prior to 10:00 a.m., New York City time, on the last day of the Interest Period applicable to a Competitive Loan that such Borrower will repay the principal amount of such Competitive Loan with its own funds and does not wish to request an ABR Revolving Borrowing to refinance the principal amount of such Competitive Loan, then the Domestic Borrower shall be deemed to have submitted a Borrowing Request pursuant to Section 2.03 for an ABR Revolving Borrowing in the principal amount of such Competitive Loan to finance the repayment of the principal amount of such Competitive Loan on the last day of the Interest Period applicable to such Competitive Loan, and the Administrative Agent shall promptly advise each Lender of the details of such deemed Borrowing Request and of the amount of such Lender's ABR Revolving Loan to be made as part of the deemed requested Borrowing.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof, the Borrower thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

#### SECTION 2.11. Prepayment of Loans.

(a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Domestic Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The applicable Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 11:00 a.m., London time, three Business Days before the date of prepayment, (iii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iv) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an

advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees.

(a) The Domestic Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Domestic Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as would apply to interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there

32

ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrowers jointly and severally agree to pay on the Effective Date to the Administrative Agent an amendment fee of \$75,000 to be distributed to the Lenders pro-rata in accordance with the Commitments.

(d) The Borrowers agree to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon among the Borrowers and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest.

(a) The Loans comprising each ABR Borrowing (including each Swingline

Loan) shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing and Eurocurrency Borrowing shall bear interest (i) in the case of a Eurodollar Revolving Loan or a Eurocurrency Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurodollar Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% per annum plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% per annum plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

33

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan or Eurocurrency Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days (365 days in the case of Eurocurrency Loan), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

#### SECTION 2.14. Alternate Rate of Interest.

If prior to the commencement of any Interest Period for a Eurodollar Borrowing or a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurodollar Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing or a Eurocurrency Borrowing shall be ineffective, (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing or a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any request by the Domestic Borrower for a Eurodollar Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Domestic Borrower for Eurodollar Competitive Borrowings may be made to Lenders that are not affected thereby and

(B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

34

SECTION 2.15. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans or Eurodollar Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan, Eurocurrency Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrowers of the

35

Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the

Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. Break Funding Payments.

In the event of (a) the payment of any principal of any Eurodollar Loan, Eurocurrency Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan or Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto, (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurodollar Loan, Eurocurrency Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrowers pursuant to Section 2.19, then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan or a Eurocurrency Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made,

36

(ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrowers shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of any Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of

the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by such Borrower as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, local time, at the place of payment, on the date when due, in the currency in which such Loan was made and in federal funds or such other immediately available funds as may be customary for the settlement of international transactions in the relevant currency at such place, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent to such account as the Administrative Agent shall have specified and, unless and until otherwise specified, all such payments payable in dollars shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that

37

payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to

the Borrowers or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the applicable Borrower will not make such payment, the Administrative Agent may assume that the applicable Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrowers

38

have not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

#### SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.15, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrowers shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior

thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

39

SECTION 2.20. Subsidiary Borrowers.

With the written consent of the Administrative Agent in its sole discretion, one or more Subsidiaries of the Domestic Borrower of which the Domestic Borrower directly or indirectly owns securities or other ownership interests representing more than 75% of the equity and more than 75% of the ordinary voting power may become a borrower (each, a "Subsidiary Borrower") under this Agreement, and shall thereafter be, subject to the terms and conditions set forth herein, entitled to borrow Revolving Loans. As a condition to becoming a Subsidiary Borrower, such Subsidiary shall (i) execute and deliver to the Administrative Agent an instrument substantially in the form of Exhibit 2.20 hereto, and shall execute and/or deliver such other certificates, instruments, resolutions, documents and opinions in respect of such Subsidiary as were required to be delivered pursuant to Article IV hereof by the Domestic Borrower as a condition to effectiveness of this Agreement or as the Administrative Agent may otherwise require in its sole discretion.

Article III  
Representations and Warranties

Each of the Domestic Borrower (and, from and after such time as a Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such Subsidiary Borrower) represents and warrants to (and where applicable covenants with) the Lenders, the Issuing Bank, and the Administrative Agent that:

SECTION 3.01. Organization; Powers.

Each of the Domestic Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability.

The Transactions are within the Borrowers' corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrowers and constitutes a legal, valid and binding obligation of the Borrowers, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts.

The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter,

40

by-laws or other organizational documents of the Domestic Borrowers or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Domestic Borrowers or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Domestic Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Domestic Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change.

(a) The Domestic Borrower has heretofore furnished to the Lenders its



consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended [October 31, 1997], reported on by Ernst & Young LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended [July 31, 1998], certified by a Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Domestic Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since [October 31, 1997], there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Domestic Borrower and its Subsidiaries, taken as a whole. The Domestic Borrower and its Subsidiaries have no liabilities, contingent or otherwise, that are required under GAAP to be, but have not been, disclosed in the financial statements referred to in paragraph (a) of this Section.

(c) Schedule 3.04 sets forth a list of all Indebtedness described in Section 6.01(b), (e) or (f) as of the Effective Date.

#### SECTION 3.05. Properties.

(a) Each of the Domestic Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. All material assets of the Domestic Borrower and of its Subsidiaries are free and clear of any Liens, except such as are permitted by Section 6.02. Neither the Domestic Borrower nor any Subsidiary is a party to any contract, agreement, lease or instrument (other than a Credit Document) the performance of which, either unconditionally or upon the happening of an event, will result in or require the creation of a Lien, on any of its property or assets, except as permitted by Section 6.02.

(b) Each of the Domestic Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Domestic Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

41

#### SECTION 3.06. Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrowers, threatened against or affecting the Domestic Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement, any other Credit Document or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Domestic Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

#### SECTION 3.07. Compliance with Laws and Agreements; No Default.

Each of the Domestic Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Domestic Borrower is current in all required disclosure and otherwise in compliance in all material respects with applicable federal and state securities laws and/or rules and regulations of the Securities and Exchange Commission, and with applicable state securities laws and/or rules and regulations of state securities authorities and of any stock exchanges or other self regulatory organizations having jurisdiction of the Domestic Borrower and/or its securities. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status; Federal Reserve Regulations.

(a) Neither the Domestic Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

(b) Neither the Domestic Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulation U of the Board). No part of the proceeds of any Loan or of any drawing under any Letter of Credit will be used, directly or

42

indirectly and whether immediately, incidentally or ultimately, for any purpose which entails a violation of or which is inconsistent with, the provisions of the regulations of the Board, including Regulation G, T, U or X thereof.

SECTION 3.09. Taxes.

Each of the Domestic Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which the Domestic Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP.

SECTION 3.10. ERISA.

No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of all such underfunded Plans. Neither any Borrower nor any ERISA Affiliate sponsors any employee welfare benefit plan (as defined in ERISA Section 3(1) ("Employee Welfare Benefit Plan")) which provides any post-retiree welfare benefits directly or through the purchase of insurance.

SECTION 3.11. Subsidiaries; Joint Ventures.

Schedule 3.11 sets forth as of the Effective Date a list of all Subsidiaries, all investments in Persons in which the Domestic Borrower or its Subsidiaries own twenty percent (20%) or more of the voting securities or interests of such Persons, and all joint ventures and partnerships to which the Domestic Borrowers or any Subsidiary is a party, the respective jurisdictions of organization thereof, and the percentages of interest of the Domestic Borrower and any Subsidiary therein. Except as disclosed on Schedule 3.11, the Domestic Borrower has no Subsidiaries or investments as described above in, or joint ventures or partnerships with, any Person as of the Effective Date.

SECTION 3.12. Use of Proceeds.

The proceeds of the Loans and the Letters of Credit will be used to refinance existing Indebtedness and for general corporate purposes of the Borrowers, all in accordance with the terms and provisions hereof. No Letter of Credit shall have as its beneficiary any employee or be used directly to pay any compensation, indemnification, workers' compensation claim or other direct or indirect remuneration, or any loan or advance to, any employee, officer, or director of the Domestic Borrower or any Subsidiary.

43

SECTION 3.13. Labor Matters.

There are no material strikes or other material labor disputes or grievances pending or, to the knowledge of the Borrowers, threatened, against the Domestic Borrower or any Subsidiary. Except as set forth on Schedule 3.13 hereto, neither the Domestic Borrower nor any Subsidiary is a party to any collective bargaining agreement covering more than 250 employees in the aggregate at any time.

SECTION 3.14. Solvency.

After giving effect to the Loans and the Letters of Credit (a) the fair salable value of the assets of the Domestic Borrower and its Subsidiaries, on a consolidated basis, will exceed the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of the Domestic Borrower and its Subsidiaries, on a consolidated basis, as they mature, (b) the assets of the Domestic Borrower and its Subsidiaries, on a consolidated basis, will not constitute unreasonably small capital to carry out their businesses as conducted or as proposed to be conducted, including the capital needs of the Domestic Borrower and its Subsidiaries, on a consolidated basis (taking into account the particular capital requirements of the businesses conducted by such entities and the projected capital requirements and capital availability of such businesses) and (c) the Borrowers do not intend to, and do not believe that they will, incur debts beyond their ability to pay such debts as they mature (taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its obligations).

SECTION 3.15. Disclosure.

The Domestic Borrower has disclosed to the Lenders and the Issuing Bank all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Borrowers to the Administrative Agent and the Issuing Bank or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrowers represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.16. Year 2000.

Any reprogramming required to permit the proper functioning, in and following the year 2000, of the Domestic Borrower's and each Subsidiary's computer systems and computer controlled equipment, the continued operation of which materially affects the Domestic Borrower's and each Subsidiary's core business activities (collectively, the "Systems") and the testing of all Systems, as so reprogrammed, will be completed by June 30, 1999. The cost to the Domestic Borrower and each Subsidiary of such reprogramming and testing and of the

44

reasonably foreseeable consequences of year 2000 to the Domestic Borrower and each Subsidiary (including, without limitation, reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a

Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the Systems of the Domestic Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Domestic Borrower and each Subsidiary to conduct its business without Material Adverse Effect.

#### SECTION 3.17. Receivable Program.

The accounts receivable securitization program described in Note C to the consolidated financial statements of the Domestic Borrower for the fiscal year ended November 1, 1996 has been terminated.

#### Article IV Conditions

#### SECTION 4.01. Effective Date.

This Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent, the Co-Agent, the Issuing Bank and the Lenders and dated the Effective Date) of Howard B. Weinreich, General Counsel of the Domestic Borrower, substantially in the form of Exhibit 4.01(b), and covering such other matters relating to the Domestic Borrower, this Agreement or the Transactions as the Required Lenders and the Issuing Bank shall reasonably request. The Domestic Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received (i) a certificate of the Secretary or an Assistant Secretary of the Domestic Borrower certifying that there have been no amendments or other changes to the Domestic Borrower's Certificate of Incorporation or by-laws since July 2, 1997; (ii) a good standing certificate in respect of the Domestic Borrower from the Secretary of State of its jurisdiction of organization (long-form, listing all charter papers on file in his or her office), dated as of a recent date prior to the Effective Date; (iii) a certificate as to tax status of the Domestic Borrower from appropriate taxing authorities in its jurisdiction of organization, as of a recent date prior to the Effective Date; (iv) a true copy, certified as of the Effective Date by the Secretary or an Assistant Secretary of the Domestic Borrower, of the resolutions of its Board of Directors authorizing the execution, delivery and performance of this Agreement and the other

45

Credit Documents to which it is a party, which shall be satisfactory to the Administrative Agent in form, scope and substance; and (v) certificates signed by the Secretary or an Assistant Secretary of the Domestic Borrower, dated as of the Effective Date, as to the incumbency and specimen signatures of the officers of the Domestic Borrower authorized to sign this Agreement and the other Credit Documents and each certificate or other document or instrument to be delivered by the Domestic Borrower pursuant hereto or thereto, and certification by one of such officers of the Domestic Borrower as to the incumbency and specimen signature of such respective Secretary or Assistant Secretary. The Administrative Agent shall have received such other documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Domestic Borrower, the authorization of the Transactions and any other legal matters relating to the Domestic Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received the financial statements described in Section 3.04.

(e) Each Lender shall have received a copy (which may be a conformed copy) of the Note Purchase Agreement dated as of August 28, 1996 (such Note

Purchase Agreement, excluding any and all amendments or supplements thereto, is referred to herein as the "Senior Note Purchase Agreement") governing the Domestic Borrower's \$50,000,000 7.92% Senior Notes due August 28, 2004 (the "Senior Notes"), including all amendments and supplements thereto.

(f) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Domestic Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(g) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrowers hereunder.

(h) The Domestic Borrower shall have paid (i) all interest and fees accrued to but excluding the Effective Date under the Original Credit Agreement or any fee letter referred to therein or related thereto, and (ii) any and all LC Disbursements under the Original Credit Agreement.

The Administrative Agent shall notify the Domestic Borrower, the Issuing Bank, and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

#### SECTION 4.02. Each Credit Event.

The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

46

(a) The representations and warranties of the Borrowers set forth in this Agreement shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by each Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

#### Article V Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Domestic Borrower (and, from and after such time as a Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such Subsidiary Borrower) covenants and agrees with the Lenders, the Issuing Bank, and the Administrative Agent that:

#### SECTION 5.01. Financial Statements and Other Information.

The Borrowers will furnish to the Administrative Agent, the Issuing Bank, and each Lender:

(a) within 100 days after the end of each fiscal year of the Domestic Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Domestic Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Domestic Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Domestic Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

47

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Domestic Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.10 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Domestic Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Domestic Borrower to its shareholders generally, as the case may be;

(f) concurrently with the information furnished under clause (a) above, a list of all Subsidiaries of the Domestic Borrower; and

(g) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Domestic Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

#### SECTION 5.02. Notices of Certain Events.

The Borrowers will furnish to the Administrative Agent, the Issuing Bank, and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Domestic Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Domestic Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;

48

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect; and

(e) the formation or acquisition of any material Subsidiary or the acquisition of any material assets or business.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Domestic Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business.

Each Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations.

Each Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) such Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP, (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect, and (d) the same shall be paid or discharged or fully and adequately bonded before it might become a lien or charge upon any material property or asset of any Borrower or any Subsidiary.

SECTION 5.05. Maintenance of Properties; Insurance.

Each Borrower will, and will cause each of its Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted. Each Borrower shall, and shall cause each of its Subsidiaries to, keep its properties (including, without limitation, fixed assets) adequately insured at all times in the same manner and to the same extent, and carry such other insurance (with insurance companies rated no lower than "A" by A.M. Best & Co., Inc., or otherwise approved by the Administrative Agent) including, without limitation, business interruption insurance, insurance against fire, public liability insurance, and insurance against lack of fidelity by employees, against such risks and in such amounts, and having such deductible amounts as are customary, with companies in the same or similar businesses operating in the same or similar locations, and which is no less than is required by law.

49

SECTION 5.06. Books and Records; Inspection Rights.

Each Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Each Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent, the Issuing Bank, or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws.

Each Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit.

The proceeds of the Loans, and the Letters of Credit, will be used only for the purposes set forth in Section 3.12. No part of the proceeds of any Loan or of any drawing under any Letter of Credit will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

SECTION 5.09. Further Assurances.

Each Borrower shall, and shall cause each of its Subsidiaries to, execute any and all further documents, agreements, and instruments, and take all further actions, that the Administrative Agent, the Issuing Bank, or any Lender shall reasonably request in order to effectuate the transactions contemplated by this Agreement and the other Credit Documents, including such further documents, agreements, instruments and actions to grant, preserve, protect and perfect the rights of the Lenders, the Issuing Bank and the Administrative Agent purported to be created hereunder (including liens in any cash collateral deposited hereunder), and under the other Credit Documents.

Article VI  
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Domestic Borrower (and, from and after such time as a Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such Subsidiary Borrower) covenants and agrees with the Lenders, the Issuing Bank, and the Administrative Agent that:

50

SECTION 6.01. Indebtedness.

The Domestic Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness created hereunder;

(b) unsecured Indebtedness of the Domestic Borrower of up to \$50,000,000 in aggregate principal amount outstanding at any one time evidenced by the Borrower's Senior Notes;

(c) advances from customers received in the ordinary course of business;

(d) performance guaranties, trade guarantees, and bid guarantees of the performance of contractual obligations of wholly owned Subsidiaries of the Domestic Borrower; provided that such guarantees and contractual obligations arise in the ordinary course of business and that such contractual obligations are not for borrowed money;

(e) other Indebtedness of Subsidiaries of the Domestic Borrower in an aggregate principal amount not exceeding \$27,000,000 at any time outstanding; provided that there would not be any Default after giving effect to the incurrence of any Indebtedness permitted under this paragraph; and

(f) unsecured Indebtedness of the Domestic Borrower not having any priority superior in any respect to the Indebtedness of the Domestic Borrower hereunder.

SECTION 6.02. Liens.

The Domestic Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Domestic Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Domestic Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof; and

(c) Liens securing Indebtedness permitted under clause (e) of Section 6.01.

SECTION 6.03. Fundamental Changes.



(a) The Domestic Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary

51

may merge into the Domestic Borrower in a transaction in which the Domestic Borrower is the surviving corporation, (ii) any Subsidiary (other than a Subsidiary Borrower) may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary (provided that the Domestic Borrower's proportionate interest in the assets and business of the merged subsidiary has not diminished), (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Domestic Borrower or to another Subsidiary (provided that the Domestic Borrower's proportionate interest in the assets sold, transferred, leased, or disposed of has not diminished) and (iv) any Subsidiary (other than a Subsidiary Borrower) may liquidate or dissolve if the Domestic Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Domestic Borrower and is not materially disadvantageous to the Lenders.

(b) Except (i) for sales of inventory in the ordinary course of business and the disposition of obsolete, surplus, or otherwise unusable equipment and (ii) for sales of accounts receivable by the Domestic Borrower and any Subsidiaries to Volt Information Sciences Funding, Inc., the Domestic Borrower will not, and will not permit any Subsidiaries to, sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) stock of any Subsidiary (whether owned on the Effective Date or thereafter acquired), or assets (whether owned on the Effective Date or thereafter acquired) representing (i) in any fiscal year, 15% of Consolidated Assets as of the end of the most recently completed fiscal year, or (ii) on a cumulative basis commencing on the July 2, 1997, 30% of Consolidated Assets as of the end of the most recently completed fiscal year; provided, that there shall be excluded from such annual and cumulative amounts, for the purposes of this sentence, the amount of the proceeds of any such disposition that within 180 days from the date thereof are applied to the acquisition by the Domestic Borrower or a Subsidiary thereof of operating assets used in the ordinary course of its business. Without limiting the foregoing, neither the Domestic Borrower nor any Subsidiary shall sell, assign, discount or otherwise dispose of notes, accounts receivable or other rights to receive payment, with or without recourse, except (i) for collections and credits in the ordinary course of business and (ii) for sales of accounts receivables by the Domestic Borrower and any Subsidiaries to Volt Information Sciences Funding, Inc.

(c) The Domestic Borrower will not, and will not permit any of its Subsidiaries to, engage in any business other than businesses of the type conducted by the Domestic Borrower and its Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto except to an extent not material to the Domestic Borrower and its Subsidiaries taken as a whole.

#### SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions.

The Domestic Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit, except:

52

(a) Permitted Investments;

(b) investments by the Domestic Borrower existing on the date hereof in the capital stock of its Subsidiaries;

(c) loans or advances to employees not exceeding \$1,000,000 in the aggregate at any one time outstanding;

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) purchases or acquisitions (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) of any capital stock or ownership interests of any Person or of any assets of any other Person constituting a business unit; provided that, in any case described in this paragraph, (i) at the time thereof and after giving effect thereto no Default shall have occurred and be continuing, (ii) at the time thereof the fair market value, net of any liabilities incurred or assumed by the Domestic Borrower or any Subsidiary in connection with such transaction, of the consideration received by the Domestic Borrower or any Subsidiaries in connection with such transaction shall equal or exceed the fair market value of the consideration received by the other parties thereto, and (iii) if the purchase price thereof exceeds \$5,000,000 (including the face amount of any assumed Indebtedness and the fair market value of any noncash consideration), then the Domestic Borrower shall, within five days after the closing of such purchase or acquisition, provide to the Administrative Agent, the Issuing Bank and each Lender, a copy of the purchase or acquisition agreement(s) and a certificate of a Financial Officer of the Domestic Borrower briefly describing the purchase or acquisition and covering the matters described in Section 5.01(c); and

(f) other investments not exceeding, in the aggregate, \$10,000,000.

#### SECTION 6.05. Hedging Agreements.

The Domestic Borrower will not, and will not permit any of its Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Domestic Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

#### SECTION 6.06. Restricted Payments.

The Domestic Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except Subsidiaries may declare and pay dividends ratably with respect to their capital stock and, if at the time thereof and after giving effect thereto no Default shall have occurred and be continuing, (a) the Domestic Borrower may declare and pay dividends with respect to its capital stock, (b) the Domestic Borrower may purchase, redeem, retire, acquire, cancel or terminate any shares of its capital stock or any option, warrant or other right to acquire any such shares, and (c) the Domestic Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Domestic Borrower and its Subsidiaries.

53

#### SECTION 6.07. Transactions with Affiliates.

The Domestic Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Domestic Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Domestic Borrower and its wholly owned Subsidiaries not involving any other Affiliate, (c) any Restricted Payment permitted by Section 6.06, and (d) existing employment agreements with William Shaw or Jerome Shaw (or replacement of employment agreements with such individuals on terms not materially less favorable to the Domestic Borrower or its Subsidiaries).

#### SECTION 6.08. Restrictive Agreements.

The Domestic Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Domestic Borrower or any other Subsidiary or to

Guarantee Indebtedness of the Domestic Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), and (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder.

SECTION 6.09. Priority of Obligations.

The Borrowers will not permit or suffer any present or future unsecured Indebtedness of the Borrowers to have any priority superior in any respect to the Indebtedness of the Borrowers hereunder.

SECTION 6.10. Certain Financial Covenants.

(a) The Domestic Borrower will not permit or suffer Consolidated Net Worth at any time to be less than the sum of (i) \$110,000,000 and (ii) 50% of the Consolidated Net Income for each completed fiscal year (if greater than zero for such year) of the Domestic Borrower commencing with the fiscal year commencing immediately after the fiscal year ended November 1, 1996.

(b) The Domestic Borrower will not permit or suffer the ratio, as of the last day of any fiscal quarter of the Domestic Borrower, of (i) Consolidated Income Available for Fixed Charges for the period of four consecutive fiscal quarters of the Domestic Borrower ending on

54

such date to (ii) Fixed Charges for such period of four consecutive fiscal quarters of the Domestic Borrower, to be less than 2.25 to 1.00.

(c) The Domestic Borrower will not permit or suffer the ratio, as of the last day of any fiscal quarter of the Domestic Borrower, of (i) Consolidated Income Available for Fixed Charges for the period of four consecutive fiscal quarters of the Domestic Borrower ending on such date to (ii) the sum of (x) Fixed Charges for such period of four consecutive fiscal quarters of the Domestic Borrower and (y) the current portion of long term debt of the Domestic Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP at such date, to be less than 1.50 to 1.00.

(d) The Domestic Borrower will not permit or suffer Consolidated Debt at any time to exceed 50% of Consolidated Total Capitalization at such time.

For purposes of this Section 6.10, the terms "Consolidated Net Worth", "Consolidated Net Income", "Consolidated Income Available for Fixed Charges", "Fixed Charges", "Consolidated Debt", and "Consolidated Total Capitalization" shall have the meanings given thereto in the Senior Note Purchase Agreement.

SECTION 6.11. Accounting, Fiscal Year.

The Domestic Borrower will not change the accounting policies of the Domestic Borrower or any Subsidiary in any way that could have a material effect on the presentation of financial reports, or change the fiscal year of the Domestic Borrower or any Subsidiary from that in effect on the Effective Date except that the Domestic Borrower may change its fiscal year once if (i) in connection with such change the Domestic Borrower provides the Administrative Agent, each Lender, and the Issuing Bank with restated financial statements and compliance certificates (including reasonably detailed computations showing compliance with the financial covenants contained in Section 6.10) all in form, scope and substance acceptable to the Administrative Agent, in its sole discretion, which restated financial statements shall present information as if such change in fiscal year had been made one calendar year earlier, and (ii) no Default exists or would exist after giving effect to such change and restatement. By way of illustration, if commencing January 1, 1998 there is no Default and the Domestic Borrower changes its fiscal year to the calendar year, then the Domestic Borrower must provide restated financial statements and compliance certificates for calendar year 1997 as if such calendar year had been the Domestic Borrower's fiscal year (and there shall not result any Default under such restated 1997 calendar year financial statements or under the current

calendar year financial statements). Notwithstanding the foregoing, accounting policies may change to accord with a change in generally accepted accounting principles; provided further, that in the event of any such change, all financial reports required hereunder that are thereby affected shall thereafter be presented in two formats, one of which shall reflect such change and the other of which shall reflect the original accounting policy, the covenants contained in Sections 6.10 continuing to be calculated on the basis of such original accounting policy.

55

SECTION 6.12. Equal and Ratable Lien; Equitable Lien.

If notwithstanding the prohibition contained in Section 6.02, the Domestic Borrower shall, or shall permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist any Lien securing Indebtedness for borrowed money, other than those Liens permitted by the provisions of clauses (a) through (c) of Section 6.02, it will make or cause to be made effective provision whereby the Loans and other obligations of the Borrowers hereunder will be secured equally and ratably with any and all other obligations thereby secured, such security to be pursuant to agreements reasonably satisfactory to the Required Lenders, the Issuing Bank and the Administrative Agent and, in any such case, the Loans and other obligations of the Borrowers hereunder shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Loans and other obligations of the Borrowers hereunder may be entitled under applicable law, of an equitable Lien on such property. Such violation of Section 6.02 will constitute an Event of Default, whether or not provision is made for an equal and ratable Lien pursuant to this Section 6.12.

Article VII  
Events of Default

If any of the following events ("Events of Default") shall occur:

(a) a Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) a Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, within two Business Days after the same shall become due and payable;

(c) any representation or warranty made or deemed made by or on behalf of a Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) a Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Borrowers' existence) or 5.08 or in Article VI;

(e) a Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure if capable of being remedied, shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrowers (which notice will be given at the request of any Lender or the Issuing Bank);

56

(f) a Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the

holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of a Borrower or any Material Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for a Borrower or any Material Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) a Borrower or any Material Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for a Borrower or any Material Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) a Borrower or any Material Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against a Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of a Borrower or any Subsidiary to enforce any such judgment(s) for the payment of money in an aggregate amount in excess of \$1,000,000;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Domestic Borrower and its Subsidiaries in an aggregate amount exceeding (i) \$500,000 in any year or (ii) \$1,000,000 for all periods;

(m) a Change in Control shall occur; or

57

(n) any Credit Document shall cease to be, or it shall be asserted by or on behalf of a Borrower or any successor thereto that any Credit Document is not, in full force and effect and enforceable in accordance with its terms;

then, and in every such event (other than an event with respect to a Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take one or more of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, and (iii) require cash collateral as contemplated by Section 2.06(j); and in case of any event with respect to a Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due

and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

Article VIII  
The Administrative Agent

(a) Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent and the Co-Agent as its agent and authorizes the Administrative Agent and the Co-Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent and the Co-Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

(b) Any bank serving as the Administrative Agent or as the Co-Agent hereunder shall have the same rights and powers in its capacity as a Lender or Issuing Bank as any other Lender or Issuing Bank and may exercise the same as though it were not the Administrative Agent or the Co-Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrowers or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent or the Co-Agent hereunder.

(c) The Administrative Agent and the Co-Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent and the Co-Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent and the Co-Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the

58

Issuing Bank or by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent and the Co-Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrowers or any of the Subsidiaries that is communicated to or obtained by any bank serving as Administrative Agent or the Co-Agent or any of its respective Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by a Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other Credit Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent and the Co-Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents

appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrowers. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrowers, to appoint a successor to the Administrative Agent. If no successor shall have been so appointed by the Required Lenders and

59

shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed among the Borrowers and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent. The Co-Agent may resign at any time by notifying the Administrative Agent, the Lenders, the Issuing Bank and the Borrowers.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or the Co-Agent or any other Lender or the Issuing Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or the Co-Agent or any other Lender or the Issuing Bank and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

## ARTICLE IX Miscellaneous

### SECTION 9.01. Notices.

Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to a Borrower, to such Borrower [c/o Volt Information Sciences, Inc., 1221 Avenue of the Americas, New York, New York 10020-1579, Attention of James J. Groberg, Senior Vice President and Chief Financial Officer (Telecopy No. (212) 704-2424), with a copy to Volt Information Sciences, Inc., 1221 Avenue of the Americas, New York, New York 10020-1579, Attention of Howard B. Weinreich, General Counsel (Telecopy No. (212) 704-2417)];

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Agent Bank Services Group, One Chase Manhattan Plaza, New York, New York 10081, Attention of Janet Belden (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan

Bank, 380 Madison Avenue, New York 10017, Attention of Carol Kornbluth (Telecopy No. (212) 622-4405);

(c) if to the Co-Agent, to it at Fleet Bank, N.A., 1185 Avenue of the Americas, New York, New York 10036, Attention of Michael Merlo (Telecopy No. (212) 819-4112);

(d) if to the Issuing Bank, to it at The Chase Manhattan Bank, 380 Madison Avenue, New York, New York 10017, Attention of Carol Kornbluth (Telecopy No. (212) 622-4405);

(e) if to the Swingline Lender, to it at The Chase Manhattan Bank, 380 Madison Avenue, New York, New York 10017, Attention of Carol Kornbluth (Telecopy No. (212) 622-4405); and

(f) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

#### SECTION 9.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, the Co-Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Co-Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by a Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of

61

payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Co-Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Co-Agent, the Issuing Bank or the Swingline Lender, as the case may be.

#### SECTION 9.03. Expenses; Indemnity; Damage Waiver.

(a) The Borrowers shall pay (i) all reasonable out-of-pocket expenses



incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Credit Document, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrowers shall indemnify the Administrative Agent, the Co-Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Original Credit Agreement or this Agreement or any agreement or instrument contemplated thereby or hereby, the performance by the parties thereto or hereto of their respective obligations thereunder or hereunder or the consummation of the Transactions or any other transactions contemplated thereby or hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by a Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to a Borrower or any of its Subsidiaries, or (iv)

62

any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that a Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Co-Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Co-Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Co-Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, no party hereto shall assert against any other party hereto, and each party hereto hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than ten days after written demand therefor.

#### SECTION 9.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to

the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that a Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Issuing Bank and of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Domestic Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably

63

withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Domestic Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Domestic Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance

executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be

64

effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrowers, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Domestic Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Domestic Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

#### SECTION 9.05. Survival.

All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its

65

behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this

Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness.

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability.

Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff.

If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Bank, and each of its respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender, the Issuing Bank, or Affiliate to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement held by such Lender, or by the Issuing Bank, irrespective of whether or not such Lender or the Issuing Bank shall have made any demand under this Agreement and although such obligations may be unmaturing. The rights of each Lender and of the Issuing Bank under

66

this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender or the Issuing Bank may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process; Judgement Currency.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party hereto may otherwise have to

bring any action or proceeding relating to this Agreement against any other party hereto or its properties in the courts of any jurisdiction.

(c) Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each party hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency into another currency, the parties hereto agree, to the fullest extent that they may effectively do so under applicable law, that the rate of exchange used shall be the spot rate at which in accordance with normal banking procedures the first currency could be purchased in New York City with such other currency by the Person obtaining such judgment on the Business Day preceding that on which final judgment is given. The parties agree, to the fullest extent that they may effectively do so under applicable law, that the obligations of each Borrower to make payments in any currency of the principal of and interest on the Loans and any other amounts due from such Borrower hereunder to the Administrative Agent as provided in Section 2.18 (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with Section 9.09(e)), in any currency other than the relevant currency, except to the extent that such tender or recovery shall result in the actual receipt by the Administrative Agent at its relevant office as provided in Section 2.18 on behalf of the Lenders of the full amount of the relevant currency expressed to be payable in

67

respect of the principal of and interest on the Loans and all other amounts due hereunder (it being assumed for purposes of this clause (i) that the Administrative Agent will convert any amount tendered or recovered), (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the relevant currency the amount, if any, by which such actual receipt shall fall short of the full amount of the relevant currency so expressed to be payable and (iii) shall not be affected by an unrelated judgment being obtained for any other sum due under this Agreement.

#### SECTION 9.10. WAIVER OF JURY TRIAL.

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

#### SECTION 9.11. Headings.

Article and Section (and subsection) headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

#### SECTION 9.12. Confidentiality.

Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel

and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of any Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than a Borrower. For

68

the purposes of this Section, "Information" means all information received from any Borrower relating to any Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by a Borrower; provided that, in the case of information received from a Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

#### SECTION 9.13. Interest Rate Limitation.

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or other amount due hereunder, together with all fees, charges and other amounts which are treated as interest on such Loan or other amount under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the party holding such Loan or other amount in accordance with applicable law, the rate of interest payable in respect of such Loan or other amount hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan or other amount but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such party in respect of other Loans or amounts or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such party.

#### SECTION 9.14. European Economic and Monetary Union.

(a) Definitions. In this Section 9.14 and in each other provision of this Agreement to which reference is made in this Section 9.14 expressly or impliedly, the following terms have the meanings given to them in this Section 9.14:

"commencement of the third stage of EMU" means the date of commencement of the third stage of EMU (at the date of this Agreement expected to be January 1, 1999) or the date on which circumstances arise which (in the opinion of the Administrative Agent) have substantially the same effect and result in substantially the same consequences as commencement of the third stage of EMU as contemplated by the Treaty on European Union.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"EMU legislation" means legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency (whether known as the euro or otherwise), being in part the implementation of the third stage of EMU;

"euro" means the single currency of participating member states of the EMU;

"euro unit" means the currency unit of the euro;

"national currency unit" means the unit of currency (other than a euro unit) of a participating member state;

"participating member state" means each state so described in any EMU legislation; and

"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) Effectiveness of Provisions. The provisions of subsections (c) to (j) below (inclusive) shall be effective at and from the commencement of the third stage of EMU, provided, that if and to the extent that any such provision relates to any state (or the currency of such state) that is not a participating member state on the commencement of the third stage of EMU, such provision shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a participating member state.

(c) Redenomination and Alternative Currencies. Each obligation under this Agreement of a party to this Agreement which has been denominated in the national currency unit of a participating member state shall be redenominated into the euro unit in accordance with EMU legislation, provided, that if and to the extent that any EMU legislation provides that following the commencement of the third stage of EMU an amount denominated either in the euro or in the national currency unit of a participating member state and payable within that participating member state by crediting an account of the creditor can be paid by the debtor either in the euro unit or in the national currency unit, each party to this Agreement shall be entitled to pay or repay any such amount either in the euro unit or in such national currency unit.

(d) Loans. Any Loan in the currency of a participating member state shall be made in the euro unit.

(e) Business Days. With respect to any amount denominated or to be denominated in the euro or a national currency unit, any reference to a "Business Day" shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in

(i) London and New York City and

(ii) Frankfurt am Main, Germany (or such principal financial center or centers in such participating member state or states as the Administrative Agent may from time to time nominate for this purpose).

(f) Payments to the Administrative Agent. Sections 2.10 and 2.18 shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Administrative Agent in immediately available, freely transferable, cleared funds to such account with such bank in Frankfurt am Main, Germany (or such other principal financial center in such participating member state as the Administrative

Agent may from time to time nominate for this purpose) as the Administrative Agent shall from time to time nominate for this purpose.

(g) Payments by the Administrative Agent to the Lenders. Any amount payable by the Administrative Agent to the Lenders under this Agreement in the currency of a participating member state shall be paid in the euro unit.

(h) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in the euro or in a national currency unit, the Administrative Agent shall not be liable to the Borrowers or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken

all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the euro unit or, as the case may be, in a national currency unit) to the account with the bank in the principal financial center in the participating member state which the Borrowers or, as the case may be, any Lender shall have specified for such purpose. In this subsection (h), "all relevant steps" means all such steps as may be prescribed from time to time by the regulations or operating procedures or such clearing or settlement system as the Administrative Agent may from time to time determine for the purpose of clearing or settling payments of the euro.

(i) Basis of Accrual. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a participating state shall be inconsistent with any convention or practice in the London interbank market or, as the case may be, the Paris interbank market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a participating member state; provided, that if any Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

(j) Rounding and Other Consequential Changes. Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU legislation and without prejudice to the respective liabilities for indebtedness of each Borrower to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement:

(i) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the euro unit as the Administrative Agent may from time to time specify; and

(ii) except as expressly provided in this subsection 9.14, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states.

71

(k) Increased Costs. The Borrowers shall from time to time, at the request of the Administrative Agent, pay to the Administrative Agent for the account of each Lender the amount of any cost or increased cost incurred by, or of any reduction in any amount payable to or in the effective return on its capital to, or of interest or other return foregone by, such Lender or any holding company of such Lender as a result of the introduction of, changeover to or operation of the euro in any participating member state to the extent such introduction, changeover or operation relates to such Lender's obligations hereunder; provided that the Borrowers shall not be required to pay to any Lender any amounts under this paragraph for any period prior to the date on which such Lender gives notice to the Borrowers that such amounts are payable unless such Lender gives notice within 180 days after it becomes aware or should have been aware of the event giving rise to such payment obligation.

#### SECTION 9.15. Multiple Borrowers.

The Domestic Borrower shall be jointly and severally liable with each Subsidiary Borrower in respect of the principal of, and interest on, all Loans made to such Subsidiary Borrower hereunder. No Subsidiary Borrower shall be liable for the repayment of the principal of, and interest on, Loans made to the Domestic Borrower or to another Subsidiary Borrower. Except as expressly set forth above in this Section 9.15 with respect to principal and interest on Loans to the Domestic Borrower, each Borrower agrees that the representations and warranties made by, and the liabilities, obligations, and covenants of and applicable to, any or all of the Borrowers under this Agreement, shall be in every case (whether or not specifically so stated in each such case herein) joint and several in all circumstances. Every notice by or to any Borrower shall be deemed also to constitute simultaneous notice by or to the other Borrower, every act or omission by any Borrower shall be binding upon the other Borrower, and the Administrative Agent, the Issuing Bank and the Lenders are fully



authorized by each Borrower to act and rely also upon the representations and warranties, covenants, notices, acts, and omissions of the other Borrower. Without limiting the generality of the foregoing, each Borrower agrees that the obligations of such Borrower hereunder and under the other Loan Documents shall be enforceable against such Borrower notwithstanding that this Agreement or any other Loan Document may be unenforceable in any respect against the other Borrower.

72

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VOLT INFORMATION SCIENCES, INC.

By: /s/ James J. Groberg

-----  
Name: James J. Groberg  
Title: Senior Vice President

THE CHASE MANHATTAN BANK, individually  
and as Administrative Agent

By: /s/ Carol A. Kornbluth

-----  
Name: Carol A. Kornbluth  
Title: Vice President

FLEET BANK, N.A.,  
individually and as Co-Agent

By: /s/ Robert Isaksen

-----  
Name: Robert Isaksen  
Title: Senior Vice President

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION

By: /s/ John W. Pocalyko

-----  
Name: John W. Pocalyko  
Title: Managing Director

73

MELLON FINANCIAL SERVICE CORP.  
ATTORNEY IN FACT FOR

MELLON BANK, N.A.

By: /s/ Morris Danon

-----  
Name: Morris Danon  
Title: Senior Vice President

WELLS FARGO BANK, N.A.

By: /s/ Alfred Artis

-----  
Name: Alfred Artis  
Title: Vice President

By: /s/ Donald Hartmann

-----  
Name: Donald Hartmann  
Title: Senior Vice President

1995 NON-QUALIFIED STOCK OPTION PLAN

OF

VOLT INFORMATION SCIENCES, INC.  
(as amended through January 26, 1998)

1. PURPOSES OF THE PLAN. This stock option plan (the "Plan") is designed to provide an incentive to (i) key employees (including directors and officers who are key employees) of Volt Information Sciences, Inc., a New York corporation (the "Company"), and its present and future subsidiary corporations, as defined in Paragraph 19 ("Subsidiaries"), and (ii) directors of the Company who are not employees of the Company or any subsidiary ("Non-Employee Directors") and to offer an additional inducement in obtaining the services of such individuals. The Plan provides for the grant of nonqualified stock options.

2. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Paragraph 12, the aggregate number of shares of Common Stock, \$.10 par value per share, of the Company ("Common Stock") for which options may be granted under the Plan shall not exceed 1,200,000\*. Such shares of Common Stock may, in the discretion of the Board of Directors of the Company (the "Board of Directors"), consist either in whole or in part of authorized but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company. The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan. Subject to the provisions of Paragraph 13, any shares of Common Stock subject to an option which for any reason expires, is cancelled or is terminated unexercised or which ceases for any reason to be exercisable shall again become available for the granting of options under the Plan.

3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Board of Directors which, to the extent it shall determine, may delegate its powers with respect to the administration of the Plan to a committee of the Board of Directors (the "Committee") consisting of not less than two directors (or such greater number as required by law), each of whom shall be a "non-employee director" within the meaning of Rule 16b-3 (or any successor rule or regulation) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Notwithstanding the foregoing, however, only the Board of Directors may grant options to, and make the determinations set forth in the following paragraph with respect to options granted to, Non-Employee Directors of the Company. References in the Plan to determinations or actions by the Committee shall be deemed to include determinations and actions by the Board of Directors (except that with respect to options to Non-Employee Directors such determinations shall be made by, and such actions shall be taken by the Board of Directors). A majority of the members of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, and any acts

\* Gives effect to the 2 for 1 stock split in the form of a 100% stock dividend distributed on October 6, 1995 and the 3 for 2 stock split in the form of a 50% stock dividend distributed on May 27, 1997.

EXHIBIT 10.1(b)

approved in writing by all members without a meeting, shall be the acts of the Committee.

Subject to the express provisions of the Plan, the Committee shall have the authority, in its sole discretion, to determine the key employees and Non-Employee Directors who shall receive options; the times when they shall receive options; the number of shares of Common Stock to be subject to each option; the term of each option; the date each option shall become exercisable; whether an option shall be exercisable in whole, in part or in installments, and, if in installments, the number of shares of Common Stock to be subject to each installment; whether the installments shall be cumulative; the date each installment shall become exercisable and the term of each installment; whether to accelerate the date of exercise of any installment; whether shares of Common Stock may be issued on exercise of an option as partly paid, and, if so, the dates when future installments of the exercise price shall become due and the

amounts of such installments; the exercise price of each option; the form of payment of the exercise price; whether to restrict the sale or other disposition of the shares of Common Stock acquired upon the exercise of an option and to waive any such restriction; whether to subject the exercise of all or any portion of an option to the fulfillment of contingencies as specified in the contract referred to in Paragraph 11 (the "Contract"), including without limitation, contingencies relating to entering into a covenant not to compete with the Company and its Parent (as defined in Paragraph 19) and Subsidiaries, to financial objectives for the Company, a Subsidiary, a division, a product line or other category, and/or the period of continued employment or service of the optionee with the Company or its Subsidiaries, and to determine whether such contingencies have been met; the amount, if any, necessary to satisfy the Company's obligation to withhold taxes or other amounts; the fair market value of a share of Common Stock; to construe the respective Contracts and the Plan; with the consent of the optionee, to cancel or modify an option, provided such option as modified would be permitted to be granted on such date under the terms of the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; and to make all other determinations necessary or advisable for administering the Plan. The determinations of the Committee on the matters referred to in this Paragraph 3 shall be conclusive.

No member or former member of the Committee shall be liable for any action, failure to act or determination made in good faith with respect to the Plan or any option hereunder. In addition, the Company shall indemnify and hold each member and former member of the Committee harmless from and against any liability, claim for damages and expenses in connection therewith by reason of any action, failure to act or determination made in good faith under or in connection with the Plan or any option hereunder to the fullest extent permitted with respect to directors under the Company's certificate of incorporation, by-laws or applicable law.

4. ELIGIBILITY. The Committee may from time to time, consistent with the purposes of the Plan, grant options to key employees (including officers and directors who are key employees) of the Company or any of its Subsidiaries and to Non-Employee Directors of the Company. Such options granted shall cover such number of shares of Common Stock as the Committee may determine; provided, however, that the maximum number of shares subject to options that may be granted to any individual during any calendar year under the Plan shall not exceed 100,000 shares (the "162(m) Maximum").

5. EXERCISE PRICE. The exercise price of the shares of Common Stock

-2-

under each option shall be determined by the Committee; provided, however, that the exercise price of an option shall not be less than 100% of the fair market value of the shares of Common Stock subject thereto.

The fair market value of a share of Common Stock on any day shall be (a) if the principal market for the Common Stock is a national securities exchange, the average of the highest and lowest sales prices per share of Common Stock on such day as reported by such exchange or on a composite tape reflecting transactions on such exchange, (b) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), and (i) if actual sales price information is available with respect to the Common Stock, the average of the highest and lowest sales prices per share of Common Stock on such day on NASDAQ, or (ii) if such information is not available, the average of the highest bid and lowest asked prices per share of Common Stock on such day on NASDAQ, or (c) if the principal market for the Common Stock is not a national securities exchange and the Common Stock is not quoted on NASDAQ, the average of the highest bid and lowest asked prices per share of Common Stock on such day as reported on the NASDAQ OTC Bulletin Board Service or by National Quotation Bureau, Incorporated or a comparable service; provided, however, that if clauses (a), (b) and (c) of this Paragraph are all inapplicable, or if no trades have been made or no quotes are available for such day, the fair market value of the Common Stock shall be determined by the Board by any method consistent with applicable regulations adopted by the Treasury Department relating to stock options.

6. TERM. The term of each option granted pursuant to the Plan shall be such term as is established by the Committee, in its sole discretion, at or before the time such option is granted; provided, however, that the term of each option granted pursuant to the Plan shall be for a period not exceeding 10 years from

the date of grant thereof.

7. EXERCISE. An option (or any part or installment thereof), to the extent then exercisable, shall be exercised by giving written notice to the Company at its principal office stating which option is being exercised, specifying the number of shares of Common Stock as to which such option is being exercised and accompanied by payment in full of the aggregate exercise price therefor (or the amount due on exercise if the Contract with respect to an option permits installment payments) (a) in cash or by certified check or (b) if the applicable Contract permits, with the authorization of the Committee with previously acquired shares of Common Stock having an aggregate fair market value, on the date of exercise, equal to the aggregate exercise price of all options being exercised, or with any combination of cash, certified check or shares of Common Stock. In such case, the fair market value of the Common Stock shall be determined in accordance with Paragraph 5, but as of the date of exercise of the option.

A person entitled to receive Common Stock upon the exercise of an option shall not have the rights of a shareholder with respect to such shares of Common Stock until the date of issuance of a stock certificate to him for such shares; provided, however, that until such stock certificate is issued, any option holder using previously acquired shares of Common Stock in payment of an option exercise price shall continue to have the rights of a shareholder with

-3-

respect to such previously acquired shares.

In no case may a fraction of a share of Common Stock be purchased or issued under the Plan.

8. TERMINATION OF EMPLOYMENT/SERVICE. Except as may otherwise be expressly provided in the applicable Contract, any holder of an option whose employment with the Company (and its Parent and Subsidiaries) or service as a Non-Employee Director has terminated for any reason other than his or her death or Disability (as defined in Paragraph 19) may exercise such option, to the extent exercisable on the date of such termination, at any time within three months after the date of termination, but not thereafter and in no event after the date the option would otherwise have expired; provided, however, that if such relationship is terminated either (a) for cause, or (b) without the consent of the Company, such option shall terminate immediately. Except as may otherwise be expressly provided in the applicable Contract, options granted under the Plan shall not be affected by any change in the status of the holder so long as he or she continues to be an employee of the Company, its Parent or any of the Subsidiaries (regardless of having been transferred from one corporation to another) or a Non-Employee Director of the Company.

For the purposes of the Plan, an employment relationship shall be deemed to exist between an individual and a corporation if, at the time of the determination, the individual was an employee of such corporation for purposes of Section 422(a) of the Internal Revenue Code of 1986, as amended (the "Code"). As a result, an individual on military, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of the Plan during such leave if the period of the leave does not exceed 90 days, or, if longer, so long as the individual's right to reemployment with the Company (or a related corporation) is guaranteed either by statute or by contract. If the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

Nothing in the Plan or in any option granted under the Plan shall confer on any individual any right to continue in the employ of the Company, its Parent or any of its Subsidiaries or as a director of the Company, or interfere in any way with any right of the Company, its Parent or any of its Subsidiaries to terminate an employee's relationship at any time for any reason whatsoever (or a director's relationship as permitted by law and subject to the Company's Certificate of Incorporation and By-Laws) without liability to the Company, its Parent or any of its Subsidiaries.

9. DEATH OR DISABILITY OF AN OPTIONEE. Except as may otherwise be expressly provided in the applicable Contract, if an optionee dies (a) while the optionee is employed by the Company, its Parent or any of its Subsidiaries or, while the optionee is serving as a director of the Company, (b) within three months after

the termination of the optionee's employment or service (unless such termination was for cause or without the consent of the Company) or (c) within one year following the termination of the optionee's employment or service by reason of Disability, the optionee's option may be exercised, to the extent exercisable on the date of the optionee's death, by the optionee's executor,

-4-

administrator or other person at the time entitled by law to the optionee's rights under such option, at any time within one year after death, but not thereafter and in no event after the date the option would otherwise have expired.

Except as may otherwise be expressly provided in the applicable Contract, any optionee whose employment or service (without remaining eligible to participate in the Plan in another capacity) has terminated by reason of Disability may exercise the Optionee's option, to the extent exercisable upon the effective date of such termination, at any time within one year after such date, but not thereafter and in no event after the date the option would otherwise have expired.

10. COMPLIANCE WITH SECURITIES LAWS. It is a condition to the exercise of any option that either (a) a Registration Statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock to be issued upon such exercise shall be effective and current at the time of exercise, or (b) there is an exemption from registration under the Securities Act for the issuance of shares of Common Stock upon such exercise. Nothing herein shall be construed as requiring the Company to register under the Securities Act the shares subject to any option.

The Committee may require the optionee to execute and deliver to the Company his representations and warranties, in form and substance satisfactory to the Committee, that (a) the shares of Common Stock to be issued upon the exercise of the option are being acquired by the optionee for his or her own account, for investment only and not with a view to the resale or distribution thereof, and (b) any subsequent resale or distribution of shares of Common Stock by such optionee will be made only pursuant to (i) a Registration Statement under the Securities Act which is effective and current with respect to the shares of Common Stock being sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the optionee shall, prior to any offer of sale or sale of such shares of Common Stock, provide the Company with a favorable written opinion of counsel, in form and substance satisfactory to the Company, as to the applicability of such exemption to the proposed sale or distribution.

In addition, if at any time the Committee shall determine in its discretion that the listing or qualification of the shares of Common Stock subject to such option on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to, or in connection with, the granting of an option or the issue of shares of Common Stock thereunder, such option may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

11. STOCK OPTION CONTRACTS. Each option shall be evidenced by an appropriate Contract which shall be duly executed by the Company and the optionee, and shall contain such terms and conditions not inconsistent herewith as may be determined by the Committee.

12. ADJUSTMENTS UPON CHANGES IN COMMON STOCK. Not-

-5-

withstanding any other provision of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock dividend, recapitalization, merger in which the Company is the surviving corporation, split-up, combination or exchange of shares or the like, the aggregate number and kind of shares subject to the Plan, the aggregate number and kind of shares subject to each outstanding option and the exercise price thereof, and the number and kind of shares subject to the 162(m) Maximum, shall be appropriately adjusted by the Board of Directors, whose determination shall be conclusive.

In the event of (a) the liquidation or dissolution of the Company, or (b) a

merger in which the Company is not the surviving corporation or a consolidation, any outstanding options shall terminate, unless other provision is made therefor in the transaction.

13. AMENDMENTS AND TERMINATION OF THE PLAN. The Plan was adopted by the Board of Directors on May 17, 1995. No option may be granted under the Plan after May 16, 2005. The Board of Directors, without further approval of the Company's shareholders, may at any time suspend or terminate the Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable, including, without limitation, to comply with the provisions of Rule 16b-3 promulgated under the Exchange Act or Section 162(m) of the Code, and to conform to any change in applicable law or to regulations or rulings of administrative agencies; provided, however, that no amendment shall be effective without the requisite prior or subsequent shareholder approval which would (a) except as contemplated in Paragraph 12, increase the maximum number of shares of Common Stock for which options may be granted under the Plan or change the 162(m) Maximum, (b) materially increase the benefits to participants under the Plan or (c) change the eligibility requirements to receive options hereunder. No termination, suspension or amendment of the Plan shall, without the consent of the holder of an existing option affected thereby, adversely affect his rights under such option. The power of the Committee to construe and administer any options granted under the Plan prior to the termination or suspension of the Plan nevertheless shall continue after such termination or during such suspension.

14. NON-TRANSFERABILITY OF OPTIONS. No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and options may be exercised, during the lifetime of the holder thereof, only by him or his legal representatives. Except to the extent provided above, options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process.

15. WITHHOLDING TAXES. The Company may withhold cash and/or, with the authorization of the Committee, shares of Common Stock to be issued with respect thereto having an aggregate fair market value equal to the amount which it determines is necessary to satisfy its obligation to withhold Federal, state and local income taxes or other amounts incurred by reason of the grant or exercise of an option, its disposition, or the disposition of the underlying shares of Common Stock. Alternatively, the Company may require the holder to pay to the Company such amount, in cash, promptly upon demand. The Company shall not be required to issue any shares of Common Stock pursuant to any such option until all required payments have been made. Fair market value of the shares of Common Stock shall be

-6-

determined in accordance with Paragraph 5.

16. LEGENDS; PAYMENT OF EXPENSES. The Company may endorse such legend or legends upon the certificates for shares of Common Stock issued upon exercise of an option under the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines, in its discretion, to be necessary or appropriate to (a) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or (b) implement the provisions of the Plan or any agreement between the Company and the optionee with respect to such shares of Common Stock.

The Company shall pay all issuance taxes with respect to the issuance of shares of Common Stock upon the exercise of an option granted under the Plan, as well as all fees and expenses incurred by the Company in connection with such issuance.

17. USE OF PROCEEDS. The cash proceeds from the sale of shares of Common Stock pursuant to the exercise of options under the Plan shall be added to the general funds of the Company and used for corporate purposes.

18. SUBSTITUTIONS AND ASSUMPTIONS OF OPTIONS OF CERTAIN CONSTITUENT CORPORATIONS. Anything in this Plan to the contrary notwithstanding, the Board of Directors may, without further approval by the shareholders, substitute new options for prior options of a Constituent Corporation (as defined in Paragraph 19) or assume the prior options of such Constituent Corporation.

19. DEFINITIONS.

(a) Subsidiary. The term "Subsidiary" shall have the same definition as "subsidiary corporation" in Section 424(f) of the Code.

(b) Parent. The term "Parent" shall have the same definition as "parent corporation" in Section 424(e) of the Code.

(c) Constituent Corporation. The term "Constituent Corporation" shall mean any corporation which engages with the Company, its Parent or any Subsidiary in a transaction to which Section 424(a) of the Code applies (or would apply if the option assumed or substituted were an ISO), or any Parent or any Subsidiary of such corporation.

(d) Disability. The term "Disability" shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code.

20. GOVERNING LAW. The Plan, such options as may be granted hereunder and all related matters shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to conflict of law provisions.

21. PARTIAL INVALIDITY. The invalidity or illegality of any provision herein shall not affect the validity of any other provision.

-7-

22. SHAREHOLDER APPROVAL. The Plan shall be subject to approval by the affirmative vote, in person or by proxy, of a majority of all outstanding shares of the Company at the next duly held meeting of the Company's shareholders at which a quorum is present. No options granted hereunder may be exercised prior to such approval, provided that the date of grant of any options granted hereunder shall be determined as if the Plan had not been subject to such approval. Notwithstanding the foregoing, if the Plan is not approved by a vote of the shareholders of the Company on or before May 16, 1996, the Plan and any options granted hereunder shall terminate. The participation of Non-Employee Directors in the Plan and the amendments to the Plan related thereto shall be subject to approval by the affirmative vote of a majority of the votes cast in person or by proxy at the 1998 Annual Meeting of the Shareholders of Company. No options granted hereunder to Non-Employee Directors may be exercised prior to such approval. Notwithstanding the foregoing, if the participation of Non-Employee Directors in the Plan is not so approved at the Company's 1998 Annual Meeting of Shareholders, the applicability of the Plan, and any options granted hereunder, to Non-Employee Directors shall terminate.

-8-



VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT

The following is a list of the subsidiaries and joint ventures of Volt as of January 15, 1999 (exclusive of certain subsidiaries which, if considered in the aggregate, would not, as of October 30, 1998, constitute a significant subsidiary within the meaning of Rule 1-02(v) of Regulation S-X). All of such subsidiaries, to the extent they were active and owned by the Company during fiscal 1998, are included as consolidated subsidiaries in the Registrant's consolidated financial statements as of October 30, 1998.

<TABLE>

<CAPTION>

Name (1) -----	Jurisdiction of Incorporation -----
<S>	<C>
Volt Delta Resources, Inc.	Nevada
Volt Delta Resources, Inc.	Delaware
Jefferson-Adams Corporation	New Jersey
Volt Temporary Services, Inc.	Delaware
Volt Real Estate Corporation	Delaware
VIS, Inc.	Delaware
Volt-Autologic Directories S.A., Ltd.	Delaware
Volt Holding Corp.	Nevada
Volt Realty Two, Inc.	Nevada
500 South Douglas Realty Corp.	Delaware
14011 So. Normandie Ave. Realty Corp.	Nevada
Volt Orangeca Real Estate Corp.	Delaware
Volt Australia, Ltd.	Delaware
Shaw & Shaw, Inc.	Delaware
Volt Human Resources, Inc.	Delaware
Volt ATRD Corp.	Delaware
Sierra Technology Corporation	California
Volt Opportunity Road Realty Corp.	Delaware
Nuco II, Ltd.	Delaware
Volt Management Corp.	Delaware
Volt Technical Corp.	Delaware
Fidelity National Credit Services Ltd.	California
Nuco I, Ltd.	Nevada
Volt Information Sciences Funding, Inc.	Delaware
Volt Viewtech, Inc.	Delaware
Volt Asia Enterprises, Ltd.	Delaware
Volt STL Holdings, Inc.	Delaware
DataNational of Georgia, Inc.	Georgia
DataNational, Inc.	Delaware
Volt Road Boring Corp.	Florida
Volt Telecommunications Group, Inc.	Delaware
Volt Publications, Inc.	Delaware
Volt Maintech, LLC	Delaware
Volt Gatton Holding, Inc.	Delaware

</TABLE>

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

EXHIBIT 21--SUBSIDIARIES OF THE REGISTRANT--Continued

<TABLE>

<CAPTION>

Name (1) -----	Jurisdiction of Incorporation -----
<S>	<C>
Volt Delta B.V.	Netherlands
Volt Delta Europe, Limited	United Kingdom
Volt Management (UK), Ltd.	United Kingdom
Tainol, S.A.	Uruguay
Volt Human Resources (VHRI), Inc.	Canada
Volt Services Group (Netherlands) B.V.	Netherlands
Volt Jantec, Inc. (2)	Delaware

Volt System I, J.V., Inc. (3)	California
Volt Directory Marketing, Ltd. (4)	Delaware
Autologic Information International, Inc. (5)	Delaware
Autologic Information International, Ltd. (6)	Nevada
Autologic Information International, A.B. (6)	Sweden
Autologic Information International, Limited (6)	United Kingdom
Autologic Information International Pty. Limited (6)	Australia
Autologic Triple-I, Inc. (6)	Canada
Autologic Information International, Ltd. (6)	Israel
Xitron, Inc. (6)	Michigan
Gatton Volt Computing Group Limited	United Kingdom
Gatton Consulting Group Limited (7)	United Kingdom
Gatton Computastaff Limited (7)	United Kingdom
Gatton Computing Group Trustees Limited (7)	United Kingdom
Gatton Synthesis Limited (7)	United Kingdom
Gatton Administration Services Limited (7)	United Kingdom
Gatton Computer Services GmbH (7)	Germany
Gatton Computer Services BV (7)	Netherlands

</TABLE>

- 
- (1) - Except as noted, each named subsidiary is wholly owned, directly or indirectly, by Volt Information Sciences, Inc., except that in the case of certain foreign subsidiaries, qualifying shares may be registered in the name of directors and/or other Volt subsidiaries.
- (2) - 60% owned subsidiary.
- (3) - 75% owned subsidiary.
- (4) - 80% owned subsidiary.
- (5) - 59% owned subsidiary.
- (6) - Wholly owned by Autologic Information International, Inc.
- (7) - Wholly owned by Gatton Volt Computing Group Limited.

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Post-Effective Amendment No. 2 to Registration Statement No. 2-75618 on Form S-8 dated September 12, 1988, Post-Effective Amendment No. 3 to Registration Statement No. 2-70180 on Form S-8 dated April 8, 1983, Registration Statement No. 33-18565 on Form S-8 dated December 14, 1987, Registration Statement No. 333-13369 on Form S-8 dated October 3, 1996 and Registration Statement No. 333-45903 on Form S-8 dated February 10, 1998 of Volt Information Sciences, Inc. of our report dated December 15, 1998, with respect to the consolidated financial statements and schedule of Volt Information Sciences, Inc. and subsidiaries included in the Form 10K for the year ended October 30, 1998.

Ernst & Young LLP

New York, New York  
January 26, 1999

EXHIBIT 23

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	OCT-30-1998
<PERIOD-END>	OCT-30-1998
<CASH>	31,625
<SECURITIES>	1,099
<RECEIVABLES>	292,477
<ALLOWANCES>	5,822
<INVENTORY>	38,997
<CURRENT-ASSETS>	373,446
<PP&E>	118,698
<DEPRECIATION>	51,134
<TOTAL-ASSETS>	469,326
<CURRENT-LIABILITIES>	194,610
<BONDS>	54,048
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	1,501
<OTHER-SE>	199,721
<TOTAL-LIABILITY-AND-EQUITY>	469,326
<SALES>	87,220
<TOTAL-REVENUES>	1,708,595
<CGS>	51,145
<TOTAL-COSTS>	1,575,371
<OTHER-EXPENSES>	90,900
<LOSS-PROVISION>	3,401
<INTEREST-EXPENSE>	5,712
<INCOME-PRETAX>	35,827
<INCOME-TAX>	14,856
<INCOME-CONTINUING>	20,903
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	20,903
<EPS-PRIMARY>	1.40
<EPS-DILUTED>	1.37

</TABLE>