

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the Nine Months Ended August 5, 2001

Or

Transition Report Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9232

VOLT INFORMATION SCIENCES, INC.

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

New York

13-5658129

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification No.)

560 Lexington Avenue, New York, New York

10022

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

-----  
(Zip Code)

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

Not Applicable

-----  
(Former name, former address and former fiscal year, if  
changed since last report)

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, and (2) has been subject to such filing requirements  
for the past 90 days.

Yes  No

The number of shares of the Registrant's common stock, \$.10 par value,  
outstanding as of September 14, 2001 was 15,215,665.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
FORM 10-Q  
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Operations - Nine Months  
and Three Months Ended August 5, 2001 and July 28, 2000 3

Condensed Consolidated Balance Sheets -  
August 5, 2001 and November 3, 2000 4

Condensed Consolidated Statements of Cash Flows -  
Nine Months Ended August 5, 2001 and July 28, 2000 5

Notes to Condensed Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations 13



Weighted average number of shares--Basic--Note G	15,210,880	15,117,007	15,214,506	15,190,594
Diluted:				
Net (loss) income per share	(\$0.01)	\$1.38	(\$0.08)	\$0.64
Weighted average number of shares--Diluted--Note G	15,210,880	15,307,433	15,214,506	15,412,843

</TABLE>

See accompanying notes to condensed consolidated financial statements.

-3-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>  
<CAPTION>

	August 5, 2001	November 3, 2000 (a)		
	(Unaudited)			
	<C>	<C>		
	(Dollars in thousands)			
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$34,194	\$34,099		
Short-term investments	3,790	3,570		
Trade accounts receivable less allowances of \$8,375 (2001) and \$8,952 (2000)	383,433	448,812		
Inventories--Note B	58,571	75,729		
Deferred and recoverable income taxes		13,010	12,563	
Prepaid expenses and other assets	19,110	17,689		
<b>TOTAL CURRENT ASSETS</b>		512,108	592,462	
Investment in joint venture--Note F		3,836	3,788	
Investment in securities	34	86		
Property, plant and equipment-net of accumulated depreciation and Amortization of \$73,838 (2001) and \$63,990 (2000)--Note D			99,724	96,325
Deposits and other assets	6,192	7,399		
Intangible assets-net of accumulated amortization of \$11,203 (2001) and \$25,133 (2000)	41,277	44,768		
<b>TOTAL ASSETS</b>		\$663,171	\$744,828	

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES**

Notes payable to banks--Note C	\$108,300	\$144,054		
Current portion of long-term debt--Note D	12,839	13,699		
Accounts payable	111,969	148,341		
Accrued wages and commissions	47,947	54,702		
Accrued taxes other than income taxes	16,860	16,373		
Accrued interest and other accruals	17,575	17,330		
Customer advances and other liabilities	32,109	25,241		
Income taxes	8,809			
<b>TOTAL CURRENT LIABILITIES</b>		347,599	428,549	

Long-term debt--Note D	31,183	32,297		
Deferred income taxes	5,015	4,495		
Minority interests	15,623	16,132		

**STOCKHOLDERS' EQUITY--Notes C, D, E and J**

Preferred stock, par value \$1.00; Authorized--500,000 shares; issued--none				
Common stock, par value \$.10; Authorized--30,000,000 shares; Issued--15,215,665 shares (2001) and 15,208,015 shares (2000)		1,522	1,521	
Paid-in capital	41,002	40,862		
Retained earnings	221,724	221,922		

Accumulated other comprehensive loss	(497)	(950)
TOTAL STOCKHOLDERS' EQUITY	263,751	263,355
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$663,171	\$744,828

</TABLE>

(a) The balance sheet at November 3, 2000 has been derived from the audited financial statements at that date. See accompanying notes to condensed consolidated financial statements.

-4-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

<TABLE>  
<CAPTION>

Nine Months Ended  
-----  
August 5,     July 28,  
2001         2000  
-----

(Dollars in thousands)

	<C>	<C>
<b>CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES</b>		
Net (loss) income	(\$198)	\$21,170
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	20,536	18,437
Equity in net (income) loss of joint venture	(49)	94
Gain on sale of partnership interest	(4,173)	
Gain on securities-net	(1,090)	
Minority interests	(508)	(690)
Accounts receivable provisions	6,994	6,243
(Gain) loss on foreign currency translation	(369)	231
Deferred income tax (benefit) provision	(185)	4,630
Other	245	96
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	56,609	(30,600)
Decrease (increase) in inventories	17,158	(14,803)
Increase in prepaid expenses and other current assets	(1,659)	(6,851)
Decrease (increase) in other assets	1,628	(280)
Decrease in accounts payable	(35,807)	(8,603)
Decrease in accrued expenses	(5,679)	(1,075)
Increase in customer advances and other liabilities	7,085	13,000
Decrease in income taxes payable	(8,838)	(5,744)
NET CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	51,700	(4,745)

</TABLE>

-5-

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)--Continued

<TABLE>  
<CAPTION>

Nine Months Ended  
-----  
August 5,     July 28,  
2001         2000  
-----

(Dollars in thousands)

<S>	<C>	<C>		
CASH (APPLIED TO) PROVIDED BY INVESTING ACTIVITIES				
Sales of investments	\$2,622	\$11,937		
Purchases of investments	(1,448)	(12,860)		
Investment in joint venture		(2,792)		
Acquisitions	(174)	(426)		
Proceeds from sale of partnership interest		4,017		
Proceeds from disposals of property, plant and equipment		1,263	815	
Purchases of property, plant and equipment		(21,547)	(27,239)	
Other	1	(47)		
	-----	-----		
NET CASH APPLIED TO INVESTING ACTIVITIES			(15,266)	(30,612)
	-----	-----		
CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES				
Payment of long-term debt	(1,974)	(2,179)		
Exercise of stock options	141	2,522		
(Decrease) increase in notes payable to banks		(35,373)	26,347	
	-----	-----		
NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES			(37,206)	26,690
	-----	-----		
Effect of exchange rate changes on cash		867	(253)	
	-----	-----		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			95	(8,920)
Cash and cash equivalents, beginning of period		34,099	32,402	
	-----	-----		
CASH AND CASH EQUIVALENTS, END OF PERIOD			\$34,194	\$23,482
	=====	=====		
SUPPLEMENTAL INFORMATION Cash paid during the period:				
Interest expense	\$9,966	\$6,571		
Income taxes, net of refunds	\$8,232	\$14,463		

</TABLE>

See accompanying notes to condensed consolidated financial statements.

-6-

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### Note A--Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company's consolidated financial position at August 5, 2001, consolidated results of operations for the nine and three months ended August 5, 2001 and July 28, 2000 and consolidated cash flows for the nine months ended August 5, 2001 and July 28, 2000, respectively. Operating results for interim periods are not necessarily indicative of the results that may be expected for the fiscal year.

These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended November 3, 2000. The accounting policies used in preparing these financial statements are the same as those described in that Report. In 2001, the Company's fiscal year will end on Sunday, November 4, 2001 and thereafter on the Sunday nearest October 31. The fiscal year 2001 will contain 52 weeks compared to 53 weeks (one additional week in the fourth quarter) in fiscal year 2000.

### Note B--Inventories

Inventories consist of:

	August 5, 2001	November 3, 2000
	-----	-----
	(Dollars in thousands)	
Services:		
Accumulated unbilled costs on service contracts	\$49,164	\$64,585
	-----	-----
Products:		
Materials	6,387	7,583
Work-in-process	1,099	1,548
Service parts	904	928
Finished goods	1,017	1,085
	-----	-----
	9,407	11,144
	-----	-----
Total	<u>\$58,571</u>	<u>\$75,729</u>

The cumulative amounts billed under service contracts, at August 5, 2001 and November 3, 2000, of \$10.4 million and \$9.3 million, respectively, are credited against the related costs in inventory.

-7-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note C--Short-Term Borrowings

At August 5, 2001, the Company had credit lines with domestic and foreign banks which provide for unsecured borrowings and letters of credit up to an aggregate of \$157.3 million, including \$72.5 million under a syndicated unsecured revolving credit agreement expiring in January 2002 ("Multi-year Revolver") and an additional \$72.5 million syndicated unsecured revolving credit agreement ("364-day Revolver"), which was scheduled to expire in August 2001. On August 3, 2001, the Company amended its two revolving credit facilities to, among other things, extend the 364-day Revolver to September 15, 2001 and change various covenants. On September 11, 2001, the Company entered into a new revolving credit agreement, which replaced its two revolving credit agreements and provides for \$127.5 million of unsecured borrowing through September 9, 2002. Borrowings under the new revolving credit facility bear interest at various interest rates, with the Company generally having the option to select the most favorable rate at the time of borrowing. The revolving credit facility requires, among other things, the maintenance of various financial ratios and covenants, including a fixed charge ratio and a requirement that the Company maintain a consolidated net worth, as defined, of at least \$230.0 million, plus 50% of consolidated net income for the fiscal year being measured. The Company's consolidated net worth at August 5, 2001 was \$263.8 million. The new and predecessor revolving credit agreements contain certain limitations on the extent to which the Company and its subsidiaries may incur additional indebtedness, grant liens and sell assets. At August 5, 2001 the Company had total outstanding bank borrowings of \$108.3 million, of which \$104.4 million was borrowed under the old revolving credit facilities.

Note D--Long-Term Debt

Long-term debt consists of the following:

	August 5, 2001	November 3, 2000
	-----	-----
	(Dollars in thousands)	
7.92% Senior Notes (a)	\$40,000	\$40,000
Term loan (b)	1,725	2,400
Notes payable (c) (d)	2,297	3,596
	-----	-----
	44,022	45,996

Less amounts due within one year	12,839	13,699
	-----	-----
Total long-term debt	\$31,183	\$32,297
	=====	=====

- (a) On August 28, 1996, the Company issued \$50.0 million of Senior Notes in a private placement with 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, the first of which was paid in August 2000. In March 2000, the Company entered into a series of interest swap agreements, which effectively converted these notes, through their maturity, from fixed to floating rate debt. The swap rates were based on LIBOR, reset quarterly and averaged 7.5% at November 3, 2000. In December 2000, the Company terminated the swap agreements. The fair value of the agreements at termination of \$0.5 million was paid to

-8-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note D--Long-Term Debt--Continued

the Company and is reducing interest expense over the remaining term the notes are outstanding. 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 \$153.6 million at August 5, 2001. However, the terms of the Company's revolving credit agreements, used for short-term borrowings, require the Company to maintain a consolidated net worth of \$230.0 million at August 5, 2001. The Note Purchase Agreements were amended in August 2001 to include guarantees of the Company's obligations by certain subsidiaries of the Company and to modify the fixed charge coverage ratio that the Company is required to maintain (see Note C).

- (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 (carrying amount at August 5, 2001-\$12.8 million). The loan, which bears interest at 7.86% per annum, requires principal payments of \$0.2 million per quarter and a final payment of \$1.7 million in October 2001. The Company is seeking to refinance this facility.
- (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 final semi-annual payment of \$0.2 million was made on March 15, 2001.
- (d) On February 9, 1999, the Company entered into a \$5.6 million Installment Payment Agreement to finance the purchase and support of an Enterprise Resource Planning system for internal use. The Agreement provides for interest calculated at 6% per annum, and principal amortization in five equal annual installments of \$1.3 million. The first payment was made in February 1999, with the final payment due in February 2003.

Note E--Stockholders' Equity

Changes in the major components of stockholders' equity for the nine months ended August 5, 2001 are as follows:

	Common Stock	Paid-in Capital	Retained Earnings
	-----	-----	-----
	(Dollars in thousands)		
Balance at November 3, 2000	\$1,521	\$40,862	\$221,922
Net loss for the nine months			(198)
Stock options exercised - 7,650 shares	1	140	
	-----	-----	-----
Balance at August 5, 2001	\$1,522	\$41,002	\$221,724
	=====	=====	=====

Another component of stockholders' equity, Accumulated Other Comprehensive Loss, consists of a cumulative unrealized foreign currency translation adjustment of \$0.5 million and \$0.6 million at August 5, 2001 and November 3, 2000, respectively, and an unrealized loss in marketable securities of \$0.4 million at November 3, 2000.

-9-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note E--Stockholders' Equity--Continued

Changes in these items, net of income taxes, are included in the calculation of comprehensive income as follows:

<TABLE>

<CAPTION>

	Nine Months Ended		Three Months Ended			
	August 5, 2001	July 28, 2000	August 5, 2001	July 28, 2000		
	(Dollars in thousands)					
	<C>	<C>	<C>	<C>		
Net (loss) income (a)		(\$198)	\$21,170	(\$1,242)	\$9,830	
Foreign currency translation adjustments-net			57	(174)	(6)	(144)
Unrealized (loss) gain on marketable securities-net			(32)	89	(8)	(9)
Reclassification adjustment for loss included in net loss, net of taxes of \$282, in fiscal year 2001 (b)			428			
Total comprehensive income (loss)			\$255	\$21,085	(\$1,256)	\$9,677

</TABLE>

(a) During the three months ended August 5, 2001, the Company sold one-third of an investment in equity securities, previously written off in 1997, resulting in a pre-tax gain of \$1.8 million.

(b) In April 2001, the write down of an investment in marketable securities, considered to be other than temporary, was charged to other expense.

Note F--Joint Venture

The Company owns a 50% interest in westVista Advertising Services, a joint venture with a subsidiary of TELUS Corporation. The venture was formed in fiscal 1998 for the acquisition or establishment and subsequent operation of one or more businesses engaged in the publication of telephone directories in the western United States. Additional acquisitions by the joint venture have been curtailed. In the nine months ended August 5, 2001, sales of the venture were \$5.4 million and the Company's portion of the venture's income was \$49,000, which is included in other income (expense).

Note G--Per Share Data

In 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 using the treasury stock method.

-10-

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)--Continued

Note G--Per Share Data--Continued

<TABLE>

<CAPTION>

Nine Months Ended

Three Months Ended



	August 5, 2001	July 28, 2000	August 5, 2001	July 28, 2000	
<S>	<C>	<C>	<C>	<C>	
Denominator for basic earnings per share - Weighted average number of shares		15,210,880	15,117,007	15,214,506	15,190,594
Effect of dilutive securities:					
Employee stock options		190,426		222,249	
Denominator for diluted earnings per share - Adjusted weighted average number of shares		15,210,880	15,307,433	15,214,506	15,412,843

</TABLE>

Due to a pre-tax loss in the first nine months and third quarter of fiscal 2001, none of the options to purchase 581,843 shares of the Company's common stock were included in the computation of diluted earnings per share for those periods because the effect would be antidilutive.

Outstanding options to purchase 53,450 shares of the Company's common stock at July 28, 2000 were not included in the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common shares.

#### Note H--Sale and Acquisitions of Businesses

In April 2001, the Company sold its interest in a real estate partnership, resulting in a pre-tax gain of \$4.2 million.

In December 2000, the Company's 59% owned publicly-held subsidiary, Autologic Information International, Inc., acquired the assets of a distributor of prepress equipment. The assets acquired include inventory and certain fixed assets. The amounts are not considered material to the Company.

In December 1999, the Company completed its purchase of the Wired Services and Professional Staffing divisions of two Lucent Technologies subsidiaries. The Wired Services division installs cable, wire and small telecommunications systems for businesses, and the Professional Staffing division provides technical, management and administrative personnel for temporary assignments. The Company paid cash for inventory and equipment, with limited additional consideration due based on future sales of the Wired Services division. The amounts are not considered material to the Company.

#### Note I--Segment Disclosures

Financial data concerning the Company's sales and segment operating profit (loss) by reportable operating segment for the nine and three months ended August 5, 2001 and July 28, 2000 included on page 13 of this report are an integral part of these financial statements.

-11-

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)--Continued

##### Note I--Segment Disclosures--Continued

During the nine months ended August 5, 2001, consolidated assets decreased by \$81.7 million, primarily due to decreases in accounts receivable in the Staffing Services and Telecommunications Services segments and a decrease in inventories in the Telecommunications Services segment.

##### Note J--Derivative Financial Instruments

As of the beginning of fiscal 2001, the Company adopted Financial Accounting Standards Board Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement No. 133), which was issued in June 1998 and its amendments Statement No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133, and

Statement No. 138, Accounting for Derivative Instruments and Certain Hedging Activities, issued in June 1999 and June 2000, respectively (collectively referred to as Statement No. 133.) The Company enters into derivative financial instrument contracts only for hedging purposes. As a result of the adoption of Statement No. 133, the Company recognizes all derivative financial instruments, such as interest rate swap contracts and foreign currency options and exchange contracts, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in the results of operations or in stockholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in the results of operations along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income, net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in the results of operations.

Since the Company's foreign currency options are purchased during and generally settled on the last weekday of each fiscal quarter and interest rate swaps are recorded at fair value, the adoption of Statement No. 133 has had no material effect on the Company's consolidated financial position or results of operations.

-12-

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### NINE MONTHS AND THREE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS AND THREE MONTHS ENDED JULY 28, 2000

The information, which appears below, relates to current and 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 makes no predictions or estimates as to future operations and no inferences as to future operations should be drawn.

<TABLE>  
<CAPTION>

	Nine Months Ended		Three Months Ended	
	August 5, 2001	July 28, 2000	August 5, 2001	July 28, 2000
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Net Sales:				
Staffing Services				
Traditional Staffing	\$1,010,375	\$997,230	\$318,578	\$341,028
Managed Services	580,090	503,985	178,140	160,746
Total Gross Sales	1,590,465	1,501,215	496,718	501,774
Less: Non-Recourse Managed Services		(385,788)	(296,265)	(137,550)
Net Staffing Services	1,204,677	1,204,950	359,168	400,316
Telephone Directory	61,799	62,818	25,187	27,903
Telecommunications Services	192,220	213,759	66,767	77,078
Computer Systems	49,449	47,051	17,697	15,097
Electronic Publication and Typesetting Systems		50,887	57,165	16,690
Elimination of inter-segment sales	(21,624)	(12,274)	(9,828)	(4,425)
Total Net Sales	\$1,537,408	\$1,573,469	\$475,681	\$537,220
Segment Operating Profit (Loss):				
Staffing Services	\$10,738	\$35,839	\$281	\$13,398

Telephone Directory	(1,537)	(3,412)	(358)	882
Telecommunications Services	6,408	16,919	2,460	6,453
Computer Systems	5,899	3,500	2,373	1,079
Electronic Publication and Typesetting Systems	(1,245)	(946)	(419)	(220)
	-----	-----	-----	-----
Total Segment Operating Profit	20,263	51,900	4,337	21,592
General corporate expenses	(11,243)	(10,532)	(3,721)	(3,181)
Financial reporting system expense	(6,369)	(714)	(2,610)	(474)
	-----	-----	-----	-----
Total Operating Profit (Loss)	2,651	40,654	(1,994)	17,937
Gain on sale of joint venture	4,173			
Interest and other income-net	2,453	856	2,260	522
Foreign exchange (loss) gain-net	(256)	176	43	255
Interest expense	(9,973)	(6,945)	(2,585)	(2,490)
	-----	-----	-----	-----
(Loss) Income Before Income Taxes and Minority Interests	(\$952)	\$34,741	(\$2,276)	\$16,224
	=====	=====	=====	=====

</TABLE>

-13-

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

NINE MONTHS AND THREE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS AND THREE MONTHS ENDED JULY 28, 2000--Continued

### Forward-Looking Statements Disclosure

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." 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 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:

- o general economic, competitive and other business conditions, including the effects of any downturn in the U.S. economy
- o continued financial strength of the Company's customers, some of which have announced unfavorable financial results and lowered financial expectations for the near term
- o 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
- o material changes in demand from larger customers, including those with which the Company has national contracts
- o the effect of litigation by temporary employees against temporary help companies and the customers with which they do business
- o any decrease in the rate of unemployment and higher wages sought by temporary workers, especially those in certain technical fields particularly characterized by labor shortages, which could adversely affect the Company's ability to meet its customers' demands and the Company's profit margins
- o changes in customer attitudes toward use of outsourcing and temporary personnel
- o the Company's staffing services' ability to recruit qualified employees to satisfy customer requirements

- o the Company's ability to attract and retain certain classifications of technologically qualified personnel for its own use, particularly in the areas of research and development and customer service
- o the Company's ability to meet competition in highly competitive markets with minimal impact on margins
- o the degree of price competition and pressure on margins
- o the Company's ability to maintain superior technological capability
- o 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
- o the Company's performance on contracts
- o the Company's ability to achieve customer acceptance of its products and systems in markets characterized by rapidly changing technology and frequent new product introductions
- o risks inherent in new product introductions, such as start-up delays, cost overruns and uncertainty of customer acceptance
- o the timing of customer acceptances of systems
- o the Company's dependence on third parties for some product components
- o changes in laws, regulations and government policies
- o the degree and effects of inclement weather

These and certain other factors are discussed in the Company's Annual Report on Form 10-K for the fiscal year ended November 3, 2000 and, from time-to-time, in the Company's other reports filed with the Securities and Exchange Commission.

-14-

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

NINE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS ENDED JULY 28, 2000

### Results of Operations - Summary

In the first nine-month period of fiscal 2001, net sales, which were \$1.5 billion, decreased by \$36.1 million, or 2%, from the comparable period in fiscal 2000. The decrease in net sales resulted from decreases of \$21.5 million by the Telecommunications Services segment, \$6.3 million by the Electronic Publication and Typesetting Systems segment and \$1.0 million by the Telephone Directory segment. Consolidated net sales is after, while separate segment sales information is before, the elimination of inter-segment sales

The operating profit of the Company's segments decreased to \$20.3 million in the first nine months of fiscal 2001 from \$51.9 million in the comparable fiscal 2000 period. The decrease in operating profit resulted primarily from a \$25.1 million decrease by the Staffing Services segment, principally due to a decline in its Commercial and Light Industrial division and a \$10.5 million decrease in the Telecommunications Services segment, partially offset by a \$2.4 million increase in the Computer Systems segment and a \$1.9 million reduction in operating loss in the Telephone Directory segment.

The Company's nine month fiscal 2001 pre-tax loss before minority interests was \$1.0 million, compared to income of \$34.7 million in the comparable fiscal 2000 period. The Company incurred a net loss of \$0.2 million in the first nine months of fiscal 2001 compared to net income of \$21.2 million in the first nine months of fiscal 2000. Included in the fiscal 2001 results of operations is a \$2.5 million gain, net of taxes, on the sale of the Company's interest in a real estate partnership and a net gain on securities of \$0.7 million, net of taxes.

### Results of Operations - By Segment

Sales of the Staffing Services segment were \$1.2 billion in the first nine months of fiscal 2001, which was similar to its sales in the comparable period of the previous year. However, the segment's operating profit decreased by \$25.1 million to \$10.7 million in the first nine months of fiscal 2001 from \$35.8 million in the comparable fiscal 2000 period. The decrease in operating profit was primarily due to an \$17.9 million decrease in the Commercial and Light Industrial division.

The Commercial and Light Industrial division of the Staffing Services segment was adversely affected by the nation's economic decline, with sales declining 12% from the comparable period of fiscal 2000. The division sustained a loss of \$7.9 million on sales of \$381.4 million during the first nine months of fiscal 2001 versus an operating profit of \$10.0 million on sales of \$434.8 million for the first nine months of fiscal 2000. Traditional temporary recruited revenue of the division, excluding lower margined managed service and professional employer services ("PEO") revenue, declined to \$337.3 million in the first nine months of fiscal 2001 from \$404.3 million in the comparative period of the previous year. In addition, the added branch and infrastructure overhead that the division incurred, based on the growth in traditional temporary recruited revenue that the division had experienced the previous year and in anticipation of continued growth, further adversely affected the division's performance. The division has instituted a series of initiatives designed to materially reduce overhead.

In the first nine months of fiscal 2001, the Technical Placement division reported sales of \$823.3 million, a 7% increase over the \$770.1 million in sales in the first nine months of the previous year. However, nine-month fiscal

-15-

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

NINE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS ENDED JULY 28, 2000--Continued

### Results of Operations - By Segment--Continued

2001 Technical Placement operating profit was \$18.6 million, compared with \$25.8 million in the comparable fiscal 2000 nine-month period. Increased overhead associated with the opening of additional project management outsourcing facilities, branch and infrastructure expenses incurred in contemplation of a continuation of fiscal 2000's increased revenue, a reduction in higher margin sales to a major customer and costs associated with the development and implementation of new ProcureStaff services, all negatively impacted operating results.

While the segment has instituted a series of initiatives, including closing twenty branch offices, designed to reduce overhead as a percentage of sales and increase its profitability, a return to historical profit levels will be dependent on a significant economic recovery.

The Telephone Directory segment's sales decreased by \$1.0 million, or 2%, to \$61.8 million in the first nine months of fiscal 2001; however its operating loss decreased to \$1.5 million in the first nine months of fiscal 2001 from \$3.4 million in the comparable fiscal 2000 period. The segment traditionally reports losses during the first half of the year due to the publication schedule of its community and Uruguayan directory operations, with profits in the latter portion of the fiscal year. The sales decrease was primarily due to a decrease of \$3.3 million in independent directory and toll-free directory publishing sales, offset by an increase of \$3.1 million in telephone directory systems and production sales. The decrease in operating loss was due to the completion of the community directory division's restructuring, re-scoping of its directories, the absence in fiscal 2001 of a charge of \$0.9 million for a customer receivable deemed uncollectable due to a bankruptcy filing in fiscal 2000 and a reduction of \$0.2 million in amortization charges related to goodwill that was fully amortized in February 2001.

The Telecommunications Services segment's sales decreased by \$21.5 million, or 10%, to \$192.2 million in the first nine months of fiscal 2001, and its operating profit decreased to \$6.4 million in the first nine months of fiscal 2001 from \$16.9 million in the comparable fiscal 2000 period. The results of the segment were negatively effected by the inability of start-up telecommunications

companies to obtain capital to fund construction requirements for their network expansion. A \$25.6 million decrease in higher margin long haul fiber construction revenue also adversely affected operating profit. However, due to cost reduction initiatives, the segment expects continued profitability at the current reduced revenue levels.

The Computer Systems segment's sales increased by \$2.4 million, or 5%, to \$49.4 million in the first nine months of fiscal 2001 and its operating profit increased by \$2.4 million, or 69%, to \$5.9 million in the first nine months of fiscal 2001, in each case over the comparable fiscal 2000 period. The growth in operating profit was the result of the increase in sales as well as a 5.5 percentage point increase in gross margins primarily attributable to increases in the segment's transaction-based information services, customer system upgrades and its managed network services.

The Electronic Publication and Typesetting Systems segment's sales decreased by \$6.3 million, or 11%, to \$50.9 million in the first nine months of fiscal 2001, while its operating loss increased to \$1.2 million in the first nine months of 2001 from \$0.9 million in the comparable fiscal 2000 period. The decrease in sales resulted primarily from a decline in both domestic equipment and system sales due to the general economic slowdown and to newspapers, the segment's traditional customers, cutting back on capital expenditures, as well as a decline in

-16-

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

NINE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS ENDED JULY 28, 2000--Continued

##### Results of Operations - By Segment--Continued

customer service and support sales. Newspapers have reduced capital spending in response to higher newsprint costs and a decline in advertising revenue. The decline in customer service and support sales was due to a decline in spare part sales and a reduction in revenue related to installations and service contracts as a result of the lower equipment and system sales. The increase in operating loss was the result of lower sales, as well as a decrease in gross margins of 2.2 percentage points due to discounting in response to competition. These were partially offset by a reduction in overhead due primarily to cost cutting measures implemented in the second half of fiscal 2000 and a reduction of \$1.0 million in amortization charges related to goodwill that was fully amortized by January 2001. Although cost reductions are being realized, there can be no assurances that the segment will be profitable in the near term.

##### Results of Operations - Other

Other items, discussed on a consolidated basis, affecting the results of operations for the nine-month periods were:

Selling and administrative expenses increased by \$7.2 million, or 11%, to \$71.9 million in the first nine months of fiscal 2001 to support increased sales activities during the first half of the fiscal year and primarily as a result of financial reporting system expenses related to a new accounting and back office system installed to provide enhanced financial, accounting, human resources, customer and management reporting necessary for the continued growth of the Company. Financial reporting system expenses, which include equipment rental and the use of outside consultants, are expected to be significantly reduced as the Company replaces consultants with in-house employees. Total selling and administrative expenses, expressed as a percentage of sales, were 4.7% in fiscal 2001 and 4.1% in fiscal 2000.

Research, development and engineering expense decreased by \$0.4 million, or 6%, to \$6.9 million in the first nine months of fiscal 2001 from the comparable period in fiscal 2000. The decrease was primarily due to a reduction in product development in the Electronic Publication and Typesetting Systems segment as new products were completed and introduced to customers.

Depreciation and amortization increased by \$2.1 million, or 11%, to \$20.5 million in the first nine months of fiscal 2001. The increase was attributable

to amortization of the new accounting and back office system and equipment, being amortized over a five to seven year period, partially offset by a \$1.2 million reduction in amortization of goodwill.

Other income of \$1.3 million in the first nine months of fiscal 2001 included a pre-tax \$1.1 million net gain on securities.

The Company incurred a foreign exchange loss in the first nine months of fiscal 2001 of \$0.3 million compared to a \$0.2 million gain in the comparable fiscal 2000 period. The loss was a result of unfavorable currency movements in the European currency markets. To reduce the potential adverse impact from foreign currency changes on the Company's foreign currency receivables, sales and firm commitments, foreign currency contracts

-17-

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

NINE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE NINE MONTHS ENDED JULY 28, 2000--Continued

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

are acquired during, and generally settled on the last weekday of each quarter (see Note J of the Notes to Condensed Consolidated Financial Statements).

Interest expense was \$10.0 million in the first nine months of fiscal 2001 compared with \$6.9 million in the similar fiscal 2000 period. The increase was the result of higher borrowings under the Company's revolving credit agreements to support the increased working capital requirements of the Company. Although there can be no assurances, interest expense is expected to be reduced during the remainder of the fiscal year as accounts receivable balances and borrowings, which are traditionally highest during the Company's first quarter, are reduced with increased emphasis on collections. In September 2001, the Company restructured its two primary revolving credit facilities into one new facility (see Note C of the Notes to the Condensed Consolidated Financial Statements and "Liquidity and Sources of Capital," below). The new arrangement increases the interest rates applicable to future borrowings from rates in effect under the agreements it replaces. While the amount of borrowings available under the new arrangement is lower than the aggregate amount available under the former arrangements, the Company believes the facility is adequate for its anticipated borrowing needs. Total debt was reduced in the nine months of fiscal 2001 by \$37.3 million.

The Company's effective tax rate decreased to a benefit of 25.8% in the first nine months of fiscal 2001 from a provision of 41.0% in the first nine months of fiscal 2000 due principally to nondeductible charges, including goodwill amortization, being higher in relation to the pre-tax income or loss in fiscal 2001 than in fiscal 2000.

-18-

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

THREE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE THREE MONTHS ENDED JULY 28, 2000

##### Results of Operations - Summary

In the third quarter of fiscal 2001, net sales decreased by \$61.5 million, or 12%, to \$475.7 million from \$537.2 million in the comparable period in fiscal 2000. The decrease in sales resulted from decreases of \$41.1 million by the Staffing Services segment, \$10.3 million by the Telecommunications Services segment and \$4.6 million by the Electronic Publication and Typesetting Systems segment.

The operating profit of the Company's segments decreased to \$4.3 million in the third quarter of fiscal 2001 from \$21.6 million in the comparable 2000 period. The decrease in operating profit resulted primarily from a \$13.1 million

decrease in the Staffing Services segment and a \$4.0 million decrease in the Telecommunications Services segment.

The Company sustained a third quarter fiscal 2001 pre-tax loss before minority interests of \$2.3 million, compared with income of \$16.2 million in the third quarter of fiscal 2000. The Company incurred a net loss of \$1.2 million in the third quarter of fiscal 2001 compared with net income of \$9.8 million in the third quarter of fiscal 2000. Included in the third quarter 2001 results of operations is a \$1.1 million, net of taxes, gain on the sale of an investment in securities.

#### Results of Operations - By Segment

Sales of the Staffing Services segment decreased by \$41.1 million, or 10%, to \$359.2 million in the third quarter of fiscal 2001, while its operating profit decreased by \$13.1 million to \$0.3 million in the third quarter of fiscal 2001 from \$13.4 million in the third quarter of fiscal 2000. The Commercial and Light Industrial division experienced a sales decline of \$35.3 million and represented two-thirds of the reduction in operating profit in the segment's third quarter of fiscal 2001 compared to the third quarter of fiscal 2000.

Sales and operating profit in the Commercial and Light Industrial division of the Staffing Services segment were negatively impacted by the economic decline, with sales decreasing by 24% from the comparable period of fiscal 2000. The division sustained a loss of \$4.8 million on sales of \$113.0 million for the third quarter of fiscal 2001 versus an operating profit of \$3.5 million on sales of \$148.2 million for the third quarter of fiscal 2000. Traditional temporary recruited revenue of the division, excluding lower margin managed service and PEO revenue decreased to \$103.5 million in the third quarter of fiscal 2001 from \$141.2 million in the comparable quarter of the previous year.

The Technical Placement division reported third quarter sales of \$246.2 million, a 2% decrease from the \$252.1 million of sales level in the third quarter of the previous year. Third quarter fiscal 2001 Technical Placement operating profit was \$5.1 million, compared to \$9.9 million in the comparable fiscal 2000 quarter. Gross margins, in both dollars and percentages, remained consistent with the previous year's quarter, but startup costs associated with several new ProcureStaff managed service programs, lower permanent placement revenues, and higher overhead costs throughout the division reduced operating profit for the division by 49%.

-19-

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

THREE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE THREE MONTHS ENDED JULY 28, 2000--Continued

#### Results of Operations - By Segment--Continued

While the segment has instituted a series of initiatives, including closing twenty branch offices, designed to reduce overhead as a percentage of sales and increase its profitability, a return to historical profit levels will be dependent on a significant economic recovery.

The Telephone Directory segment's sales decreased by \$2.7 million, or 10%, to \$25.2 million in the third quarter of fiscal 2001. The segment reported an operating loss of \$0.4 million compared with an operating profit of \$0.9 million in the third quarter of fiscal 2000. The decrease in sales is primarily attributable to decreased printing sales in Uruguay of \$4.5 million partially offset by an increase of \$1.6 million in system sales. The operating loss is the result of the decreased sales in Uruguay. However, based on the publication timetable for its community and Uruguayan directories, the segment expects it will report a profit for the full fiscal 2001 year.

The Telecommunications Services segment's sales decreased by \$10.3 million, or 13%, to \$66.8 million in the third quarter of fiscal 2001, and its operating profit decreased to \$2.5 million in the third quarter of fiscal 2001 from \$6.5 million in the comparable fiscal 2000 period. The results of the segment were hampered by the inability of start-up telecommunications companies to obtain capital to fund construction requirements for their network expansion thereby



reducing sales of higher margin long haul fiber and other construction projects.

The Computer Systems segment's sales increased by \$2.6 million, or 17%, to \$17.7 million in the third quarter of fiscal 2001 and its operating profit increased to \$2.4 million from \$1.1 million in the comparable fiscal 2000 period. The combination of the continued growth in Application Service Provider ("ASP") enhanced "411" related services coupled with the delivery of new technology projects in the segment's Information System and IT Services business units contributed to a 120% increase in profits over the previous year's comparable quarter.

The Electronic Publication and Typesetting Systems segment's sales decreased by \$4.6 million, or 21%, to \$16.7 million in the third quarter of fiscal 2001, and its operating loss increased to \$0.4 million in 2001 from a loss of \$0.2 million in the third quarter of fiscal 2000. The decrease in sales resulted primarily from a decline in both domestic equipment and system sales due to the general economic slowdown and to newspapers, the segment's traditional customers, cutting back on capital expenditures, as well as a decline in customer service and support sales. Newspapers have reduced capital spending in response to higher newsprint costs and a decline in advertising revenue. The decline in customer service and support sales was due to a decline in spare part sales and a reduction in revenue related to installations and service contracts as a result of the lower equipment and system sales. Although overhead costs decreased due to cost cutting measures and the absence of an amortization charge of \$0.5 million related to goodwill that was fully amortized by January 2001, the operating loss increased due to the lower sales.

-20-

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

THREE MONTHS ENDED AUGUST 5, 2001 COMPARED TO THE THREE MONTHS ENDED JULY 28, 2000--Continued

##### Results of Operations - Other

Other items, discussed on a consolidated basis, affecting the results of operations for the three-month periods were:

Selling and administrative expenses increased by \$1.9 million, or 8%, to \$26.2 million in the third quarter of fiscal 2001 primarily as a result of an increase in financial reporting system expenses.

Research, development and engineering expense increased by \$0.4 million, or 25%, to \$1.9 million in the third quarter of fiscal 2001 from the third quarter of fiscal 2000. The increase was primarily due to product development expenses in the Computer Systems segment partially offset by a reduction in the Electronic Publication and Typesetting Systems segment.

Depreciation and amortization increased by \$0.3 million, or 4%, to \$6.8 million in the third quarter of fiscal 2001 over the comparable period in fiscal 2000. The increase was attributable to amortization of the new accounting and back office system, partially offset by a \$0.7 million reduction in amortization of goodwill.

Interest income decreased by \$0.1 million, or 21%, to \$0.3 million in the third quarter of fiscal 2001, primarily due to a decrease in average funds available for short-term investment.

Other income of \$1.9 million in the third quarter of fiscal 2001 included a \$1.8 million pre-tax gain on the sale of an investment in securities, previously written off in fiscal 1997.

The foreign exchange gain in the third quarter of fiscal 2001 was \$43,000 compared with \$0.3 million in the third quarter of fiscal 2000. The gains were due to favorable currency movements in the European currency markets. To reduce the potential adverse impact from foreign currency receivables, sales and firm commitments, foreign currency contracts are acquired during, and generally settled on the last weekday of each quarter (see Note J of the Notes to Condensed Consolidated Financial Statements).

Interest expense was \$2.6 million in the third quarter of fiscal 2001 compared with \$2.5 million in the third quarter of fiscal 2000. The slight increase was the result of higher borrowing under the Company's revolving credit agreements to support the increased working capital requirements of the Company.

The Company's effective tax rate was a benefit of 39.1% in the third quarter of fiscal 2001 compared with a provision of 40.7% in the third quarter of fiscal 2000.

-21-

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

### Liquidity and Sources of Capital

Cash and cash equivalents increased by \$0.1 million in the nine months ended August 5, 2001 to \$34.2 million at the end of the period.

Operating activities, exclusive of changes in operating assets and liabilities, produced \$21.2 million of cash, as the Company's net loss of \$0.2 million included non-cash charges of \$21.4 million, primarily for depreciation and amortization of \$20.5 million. Changes in operating assets and liabilities produced \$30.5 million of cash, net, principally due to cash provided by decreases in the levels of accounts receivable of \$56.6 million and inventories of \$17.2 million and an increase of \$7.1 million in customer advances and other liabilities, partially offset by \$41.5 million of expenditures to reduce the level of accounts payable and accrued expenses and \$8.2 million used to pay income taxes.

The principal factor in cash applied to investing activities of \$15.3 million was the expenditure of \$21.5 million for property, plant and equipment partially offset by \$4.0 million in proceeds from the sale of a partnership interest and \$2.6 million from the sale of investments.

A decrease of \$35.4 million in bank loans and the repayment of \$2.0 million of long-term debt were the principal factors in the cash applied to financing activities of \$37.2 million.

At August 5, 2001, the Company had \$157.3 million of credit lines with banks, of which \$72.5 million was under a revolving credit agreement ("Multi-year Revolver") that was scheduled to expire in January 2002 and \$72.5 million under a 364-day revolving credit agreement ("364-day Revolver") that was scheduled to expire in September 2001. The Company had outstanding bank borrowings of \$108.3 million under these lines at August 5, 2001. On September 11, 2001, the Company entered into a revolving credit agreement, which replaced the Multi-year Revolver and the 364-day Revolver. The new facility provides for unsecured borrowing of up to \$127.5 million through September 9, 2002 (see Note C of the Notes to Condensed Consolidated Financial Statements).

The Company believes that its current financial position, working capital, future cash flows and credit lines will be sufficient to fund its presently contemplated operations and satisfy its debt obligations. The Company intends to seek additional financing to further its ability to expand its business. However, there can be no assurances that the Company will be able to renew its existing credit facilities, or obtain additional financing nor what terms may be available for replacement or extended facilities.

In fiscal 2000, the Company began development of a new internet-based Front End System designed to improve efficiency and connectivity in the recruiting, assignment, customer maintenance, and other functions in the branch offices of the Staffing Services segment. The total costs to develop and install this system are anticipated to be approximately \$16.0 million, of which \$2.8 million has been incurred to August 5, 2001. The Company has no other material capital commitments.

### The Effect of New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin, "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenues in financial statements and requires adoption no later than the fourth quarter of

fiscal 2001. The Company has evaluated the impact of SAB 101 and the interpretations thereunder and has determined

-22-

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

### The Effect of New Accounting Pronouncements--Continued

that SAB 101 has no effect on the Company's consolidated financial position or results of operations.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations" ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with FAS 142. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2002. Application of the nonamortization provisions of FAS 142 is expected to result in an increase in net income of approximately \$2.0 million (\$0.13 per share) in fiscal 2002. During fiscal 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of November 5, 2001. The Company has not yet determined the effect, if any, these tests will have on the future earnings and financial position of the Company.

-23-

## ITEM 3 - 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 and cash equivalents of \$34.2 million at August 5, 2001 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 \$139.8 million. At August 5, 2001, the Company had borrowings totaling \$108.3 million under these and predecessor agreements. The interest rates on these borrowings are variable and, therefore, interest expense and interest income are affected by the general level of U.S. and foreign interest rates. Increases in interest expense resulting from an increase in interest rates could impact the Company's results of operations. For example, a 1% increase in prevailing interest rates could, based on the Company's current levels of borrowing, cash and cash equivalents cause net interest expense to increase by \$0.7 million. The Company's policy is to take actions designed to mitigate such risk when appropriate.

The Company's total long-term debt of \$44.0 million at August 5, 2001 consists 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. In March 2000, the Company entered into a series of interest swap agreements, which effectively converted \$40.0 million of long-term debt, through maturity, from fixed to floating rate debt. Therefore, interest expense on the debt was affected by the general level of interest rates. In December 2000, the Company terminated the swap agreements. The fair value of the agreements at termination of \$0.5 million was paid to the Company and is reducing interest expense over the remaining term the notes are outstanding.

### 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. At August 5, 2001, the total market value of these investments was \$3.8 million, with \$3.8 million of these investments being held for the benefit of participants in a non-qualified deferred compensation plan with no risk to the Company.

## Foreign Exchange Market Risk

The Company has a number of overseas subsidiaries and is, therefore, 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 this risk by utilizing foreign currency option and exchange contracts designed to hedge the adverse impact on foreign currency receivables and sales when the dollar strengthens against the related foreign currency. At August 5, 2001, the Company held foreign currency options in the aggregate notional amount of \$4.4 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.

-24-

## PART II - OTHER INFORMATION--Continued

### ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS.

Effective September 11, 2001, the Company entered into a new, \$127.5 million syndicated, unsecured short-term revolving credit facility (the "New Credit Facility") with a group of banks for which The Chase Manhattan Bank is acting as administrative agent and Fleet National Bank is acting as syndication agent. The New Credit Facility is discussed in Item 5, below.

### ITEM 5. OTHER INFORMATION.

Effective September 11, 2001, the Company entered into a new, \$127.5 million syndicated, unsecured short-term revolving credit facility (the "New Credit Facility") with a group of banks for which The Chase Manhattan Bank ("Chase") is acting as administrative agent and Fleet National Bank is acting as syndication agent. The New Credit Facility replaces two pre-existing credit facilities, one a three-year \$72.5 million revolving credit facility due to expire in January 2002 and the other a one-year \$72.5 million revolving credit facility that had expired in August 2001 and had been extended temporarily pending completion of the New Credit Facility. Certain subsidiaries of the Company have become guarantors of all loans made to the Company or to subsidiary borrowers under the New Credit Facility

All borrowings under the New Credit Facility are due on September 9, 2002, the final maturity date of the New Credit Facility. Borrowings under the New Credit Facility are to bear interest at rates based on London Interbank Offered Rates (LIBOR) (expressed in dollars or an alternate eurocurrency in the case of borrowings denominated in a eurocurrency), the rate of interest publicly announced by Chase as its prime rate, or the federal funds effective rate from time to time, or, in certain cases, some alternate fixed interest rate, in each case plus applicable margins.

The New Credit Facility provides for the maintenance by the Company of various financial ratios and covenants, among them the maintenance of fixed charge ratios, limitations on additional indebtedness, liens, sales of assets, and cash dividends and a requirement that the Company maintain a Consolidated Net Worth (as defined) of at least \$230.0 million plus 50% of Consolidated Net Income (as defined) for the fiscal year being measured.

The foregoing is a brief description of the New Credit Facility. It is qualified in its entirety by reference to the Credit Agreement, under which the New Credit Facility is established, which Credit Agreement appears in Exhibit 4.2 to this Report.

-25-

## PART II - OTHER INFORMATION--Continued

### ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits:

- 4.1 Amendment No. 1 dated as of August 28, 2001 to Note Purchase Agreement dated as of August 28, 1996 with respect to the issuance of the Company's \$50,000,000, 7.92% Senior Notes due August 28, 2004.

4.2 Credit Agreement dated as of September 11, 2001 among the Company, Gatton Volt Consulting Group Limited, The Chase Manhattan Bank, as administrative agent, and Fleet National Bank, as syndication agent.

15.1 Letter from Ernst & Young LLP

15.2 Letter from Ernst & Young LLP regarding interim financial information.

(b) Reports on Form 8-K:

No Reports on Form 8-K were filed during the quarter ended August 5, 2001.

#### SIGNATURE

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

VOLT INFORMATION SCIENCES, INC.  
(Registrant)

BY: /s/ JACK EGAN

Date: September 14, 2001                      JACK EGAN  
Vice President - Corporate Accounting  
(Chief Accounting Officer)

-26-

#### EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
4.1	Amendment No. 1 dated as of August 28, 2001 to Note Purchase Agreement dated as of August 28, 1996 with respect to the issuance of the Company's \$50,000,000, 7.92% Senior Notes due August 28, 2004.
4.2	Credit Agreement dated as of September 11, 2001 among the Company, Gatton Volt Consulting Group Limited, The Chase Manhattan Bank, as Administrative Agent, and Fleet National Bank, as Syndication Agent.
15.1	Letter from Ernst & Young LLP
15.2	Letter from Ernst & Young LLP regarding interim financial information.

VOLT INFORMATION SCIENCES, INC.

-----  
AMENDMENT NO. 1 TO NOTE PURCHASE AGREEMENT  
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DATED AS OF AUGUST 28, 2001

\$50,000,000 7.92% SENIOR NOTES DUE AUGUST 28, 2004

EXHIBIT 4.1

VOLT INFORMATION SCIENCES, INC.

\$50,000,000 7.92% SENIOR NOTES DUE AUGUST 28, 2004

AMENDMENT NO. 1 TO NOTE PURCHASE AGREEMENT

As of August 28, 2001

To each of the Persons listed on Annex 1  
attached hereto (the "Noteholders")

Ladies and Gentlemen:

VOLT INFORMATION SCIENCES, INC., a New York corporation (together with its successors and assigns, the "Company"), agrees with each of the Noteholders as follows:

1. ISSUANCE OF NOTES.

The Company has entered into those certain Note Purchase Agreements, each dated as of August 28, 1996 (as in effect immediately prior to giving effect to the amendments provided for by this Amendment No. 1 to Note Purchase Agreement (this "Amendment No. 1"), collectively, the "Existing Note Purchase Agreement" and, as amended pursuant to this Amendment No. 1, collectively, the "Amended Note Purchase Agreement") whereby \$50,000,000 aggregate principal amount of the Company's 7.92% Senior Notes due August 28, 2004 (the "Notes") were issued. The Noteholders are the holders of the principal amount of the Notes next to such Noteholder's name on Annex 1. The Noteholders hold 100% of the Notes now outstanding.

2. DEFINED TERMS.

Capitalized and non-capitalized terms used herein and not otherwise defined herein, but otherwise defined in the Existing Note Purchase Agreement, shall have the meanings ascribed to them in the Existing Note Purchase Agreement.

3. REQUEST FOR CONSENT TO AMENDMENT.

The Company requests that the Noteholders consent to the amendments to the Existing Note Purchase Agreement provided for by this Amendment No. 1 (the "Amendments").

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

To induce the Noteholders to enter into this Amendment No. 1 and to consent and agree to the Amendments, the Company represents and warrants as of the date hereof as follows:

4.1. Organization and Existence.

The Company is a corporation duly organized and existing in good standing under the laws of the State of New York and has the requisite corporate power and authority to execute and deliver this Amendment No. 1 and to perform its

obligations under the Amended Note Purchase Agreement.

#### 4.2. Actions Pending.

There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, by or before any court, arbitrator or administrative or governmental body that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. As used in this Amendment No. 1, the term "Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under the Amended Note Purchase Agreement and the Notes or (c) the validity or enforceability of the Amended Note Purchase Agreement or the Notes.

#### 4.3. Amendments Authorized; Obligations Enforceable.

(a) Agreement is Legal and Authorized. The execution and delivery by the Company of this Amendment No. 1, and compliance by the Company with all of the provisions of the Amended Note Purchase Agreement, are within the corporate powers of the Company.

(b) Company Obligations are Enforceable. The Company has duly authorized this Amendment No. 1 by all necessary action on its part. This Amendment No. 1 has been executed and delivered by one or more duly authorized officers of the Company, and each of this Amendment No. 1 and the Amended Note Purchase Agreement constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except that the enforceability thereof may be:

(i) limited by applicable bankruptcy, reorganization, arrangement, insolvency, moratorium, or other similar laws affecting the enforceability of creditors' rights generally; and

(ii) subject to the availability of equitable remedies.

#### 4.4. No Conflicts.

Neither the execution nor delivery of this Amendment No. 1, nor fulfillment of nor compliance with the terms and provisions of the Amended Note Purchase Agreement and the other documents, instruments, agreements or amendments executed in connection therewith (as the same may be in effect from time to time, collectively, the "Financing Documents") will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default

under, or result in any violation of, or result in the creation of any Lien upon any of the properties of the Company or any of its Subsidiaries pursuant to, the charter or bylaws of the Company or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders), instrument, order, judgment, decree, statute, law, rule or regulation to which the Company or any of its Subsidiaries is subject.

#### 4.5. Governmental Consent.

Neither the execution and delivery of this Amendment No. 1, nor the performance by the Company of its obligations under the Amended Note Purchase Agreement or the Financing Documents, is such as to require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body (other than routine filings with the Securities and Exchange Commission and/or state Blue Sky authorities) on the part of the Company.

#### 4.6. Full Disclosure.

This Amendment No. 1 and the documents, certificates or other writings delivered to the Noteholders by or on behalf of the Company in connection with the proposal and negotiation of the Amendments, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact

necessary to make the statements therein not misleading in light of the circumstances under which they were made. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings delivered to the Noteholders by or on behalf of the Company specifically for use in connection with the transactions contemplated by this Amendment No. 1 and the Amended Note Purchase Agreement.

4.7. No Defaults.

No event has occurred and no condition exists that, upon the execution and delivery of this Amendment No. 1 and the effectiveness of the Amendments would constitute a Default or an Event of Default (other than Defaults or Events of Default that will be expressly and specifically waived after giving effect to the Amendments).

5. AMENDMENT TO EXISTING NOTE PURCHASE AGREEMENT.

5.1. Amendments to Existing Note Purchase Agreement.

Subject to paragraph 5.2:

(a) Section 10.3 (Fixed Charges Coverage Ratio) of the Existing Note Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"The Company will not permit, as of the last day of any fiscal quarter of the Company, the ratio of (a) Consolidated Income Available for Fixed Charges for the period of four consecutive fiscal quarters of the Company ending on such date, to (b) Fixed Charges

for such period of four consecutive fiscal quarters, to be less than the ratio applicable for such quarter as set forth in the chart below:

Fiscal Quarter Ending (on or about)	Ratio
May 6, 2001 (and each fiscal quarter prior thereto)	2.25 : 1.0
August 5, 2001, November 4, 2001, February 3, 2002,	1.75 : 1.0
May 5, 2002 August 4, 2002	1.95 : 1.0
November 3, 2002 (and each fiscal quarter ending thereafter)	2.25 : 1.0"

(b) Section 10.5 (Subsidiary Debt) of the Existing Note Purchase Agreement is hereby amended as follows:

(i) the heading is hereby amended and restated in its entirety to read as follows:

"10.5 Subsidiary Funded Debt."

(ii) subsection (a)(v) is hereby amended and restated in its entirety to read as follows:

"(v) (A) any Guaranty, in the form attached as Exhibit A to Amendment No. 1 (the "Subsidiary Guaranty to Noteholders"), of a Subsidiary in respect of the Notes; or (B) any Guaranty of a Subsidiary in respect of Funded Debt of the Company or any other Subsidiary under any credit facility established by one or more lenders so long as (I) such Funded Debt is otherwise permitted under this Agreement, (II) any such



Guaranty is subject to a Sharing Agreement, and (III) such Subsidiary shall have complied with Section 10.10; and"

(iii) a new subsection (a)(vi) is hereby added to read as follows:

"(vi) Funded Debt of a Subsidiary in addition to that otherwise permitted by the foregoing provisions of this Section 10.5, provided that on the date the Subsidiary incurs or otherwise becomes liable with respect to any such additional Funded Debt and immediately after giving effect thereto and the concurrent retirement of any other Funded Debt,

(A) no Default or Event of Default exists, and

(B) the sum, without duplication, of all Funded Debt incurred pursuant to this subsection (a)(vi) plus all the then outstanding Debt of the Company and its Subsidiaries secured by Liens permitted solely under paragraph (xi) of Section 10.6(a),

does not exceed 20% of Consolidated Net Worth as of the end of the then most recent fiscal quarter of the Company."

(iv) all references to Section 10.5(a)(v) in the Existing Note Purchase Agreement, including, without limitation, in Section 10.6(a)(xi), are hereby hereafter deemed to mean and refer to Section 10.5(a)(vi) of the Amended Note Purchase Agreement.

(v) subsection (b) is hereby amended and restated in its entirety to read as follows:

"(b) [Intentionally Omitted Pursuant to Amendment No. 1]".

(c) Section 10.6(a)(x) of the Existing Note Purchase Agreement is hereby deleted in its entirety, and is replaced with the following:

"(x) [Intentionally Omitted Pursuant to Amendment No. 1]".

(d) Section 10.9 (Sales of Receivables; Limited Recourse) of the Existing Note Purchase Agreement is hereby amended as follows:

(i) the heading is hereby amended and restated in its entirety to read as follows:

"10.9 [Intentionally Omitted.]"

(ii) the text of Section 10.9 is hereby deleted in its entirety, and is replaced with the following:

"[Intentionally Omitted Pursuant to Amendment No. 1]".

(e) a new Section 10.10 is hereby added to the Existing Note Purchase Agreement to read as follows:

"10.10 Additional Subsidiary Guarantors and Documentation.

(a) The Company will take such action, and will cause each of its Subsidiaries to take such action, from time to time, as shall be necessary to ensure that any Subsidiary of the Company which, after the Closing Date (as defined in Amendment No. 1), shall issue a Guaranty in respect of any Funded Debt in reliance on Section 10.5(a)(v)(B), shall also issue, simultaneously with the delivery of any such Guaranty issued pursuant to such Section 10.5(a)(v)(B), a Subsidiary Guaranty to Noteholders, at least pari passu in ranking, in favor of each holder of a Note.

(b) Prior to September 28, 2001, the Company shall cause a Sharing Agreement to be executed and delivered by each of the Lenders with respect to

the Guaranties which may be delivered in connection with the Bank Credit Agreement. The Company acknowledges that the failure to comply with this subsection (b) is an immediate Event of Default pursuant to Section 11(c) hereof and shall entitle the holders of the Notes to exercise any and all remedies available to them, including, without limitation, the right to demand the payment of interest at the Default Rate."

(f) Section 11(c) of the Existing Note Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d) or any of Sections 10.2 through 10.10, inclusive; or"

(g) Schedule B to the Existing Note Purchase Agreement is amended to add the following definitions in their appropriate alphabetical order:

"Amendment No. 1 -- means Amendment No. 1 to Note Purchase Agreement, which amendment is dated as of August 28, 2001."

"Bank Credit Agreement - means that certain Credit Agreement dated on or about September 5, 2001, among the Company, certain Subsidiaries of the Company, The Chase Manhattan Bank, Fleet National Bank, Bank of America, N.A., Mellon Bank, N.A., Wells Fargo Bank, N.A. and Lloyd TSB Bank Plc and/or such other Lenders who shall be or become a party thereto."

"Lenders" - has the meaning ascribed to such term in the Bank Credit Agreement.

"Sharing Agreement - means an agreement between the holders of Notes and holders of Debt incurred under any credit facility established by one or more lenders, providing for the sharing of payments received in connection with any Guaranty of a Subsidiary, in form and substance reasonably acceptable to the Required Holders."

(h) Schedule B to the Existing Note Purchase Agreement is further amended by amending exception (b) to the definition of "Asset Disposition" to read in its entirety as follows:

"(b) any Transfer of accounts receivable from the Company to Volt Funding, provided that Volt Funding is a Wholly-Owned Subsidiary, or to any other Subsidiary so long as, at the time of such Transfer, such Subsidiary has delivered a Subsidiary Guaranty to Noteholders,"

(i) Schedule B to the Existing Note Purchase Agreement is further amended by amending the proviso to the definition of "Funded Debt" to read in its entirety as follows:

"provided that Funded Debt shall, as at any date of determination, include Current Maturities of Funded Debt."

(j) Schedule B to the Existing Note Purchase Agreement is further amended by amending exception (a) to the definition of "Securitization Attributable Debt" to read in its entirety as follows:

"(a) [Intentionally Omitted Pursuant to Amendment No. 1]".

## 5.2. Effectiveness of Amendments.

The Amendments contemplated by paragraph 5.1 shall become effective as of August 28, 2001 (the "Effective Date") only upon the date (which date shall be

the "Closing Date") as the Company and the Required Holders shall have indicated their written consent to the Amendments by executing and delivering to each other counterparts of this Amendment No. 1. The Amendments thereupon shall be binding upon all Noteholders in accordance with Section 17 of the Existing Note Purchase Agreement. The willingness of the Required Holders to execute and deliver this Amendment No. 1 is conditioned upon:

(a) the Company and the Required Holders shall have executed and delivered a counterpart of this Amendment No. 1;

(b) the representations and warranties set forth in paragraph 4 shall be true and correct;

(c) the Company shall have authorized, by all necessary corporate action, the execution and delivery of this Amendment No. 1 and the performance of all obligations of, and the satisfaction of all closing conditions set forth in, this paragraph 5.2 by, and the consummation of all transactions contemplated by this Amendment No. 1 by, the Company;

(d) if any Guaranty by any Subsidiary of any Funded Debt shall be effected prior to or contemporaneously with the Closing Date, the Company shall have delivered a Subsidiary Guaranty to Noteholders, fully executed by such Subsidiary;

(e) the Company shall have paid (i) the fees and expenses of the Noteholders' special counsel as provided in paragraph 6 and (ii) an amendment fee in an aggregate amount equal to ten (10) basis points of the outstanding principal amount of the Notes, which amendment fee shall be paid pro-rata to each of the Noteholders at and in the amounts specified on Annex 2 attached hereto; and

(f) all proceedings taken in connection with this Amendment No. 1 and all documents and papers relating thereto shall be satisfactory to each of the Noteholders, and each of the Noteholders and their special counsel shall have received copies of such documents and papers as the Noteholders or their special counsel may reasonably request in connection herewith.

## 6. EXPENSES.

Whether or not the Amendments become effective, the Company will on the Closing Date (or if an invoice is delivered subsequent to the Closing Date or if the Amendments do not become effective, promptly and in any event within 10 days of receiving any statement or invoice therefor) pay all reasonable fees, expenses and out-of-pocket costs relating to this Amendment No. 1, including, but not limited to, (a) the cost of reproducing this Amendment No. 1 and the other documents delivered in connection herewith and (b) the reasonable fees and disbursements of the Noteholders' special counsel (namely, Bingham Dana LLP) incurred in connection with the preparation, negotiation and delivery of this Amendment No. 1 and the transactions contemplated hereby. Nothing in this paragraph 6 shall limit the Company's obligations under Section 15.1 of the Amended Note Purchase Agreement.

## 7. MISCELLANEOUS.

### 7.1. Part of Note Purchase Agreement, Future References, etc.

This Amendment No. 1 shall be construed in connection with and as a part of the Existing Note Purchase Agreement and, except as expressly amended by this Amendment No. 1, all terms, conditions and covenants contained in the Existing Note Purchase Agreement are hereby ratified and shall be and remain in full force and effect. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Amendment No. 1 may refer to the Existing Note Purchase Agreement without making specific reference to this Amendment No. 1, but nevertheless all such references shall include this Amendment No. 1 unless the context otherwise requires.

### 7.2. Counterparts; Effectiveness.

This Amendment No. 1 may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one

instrument. Delivery of an executed signature page by facsimile transmission shall be effective as delivery of a manually signed counterpart of this Amendment No. 1.

7.3. Successors and Assigns.

All covenants and other agreements in this Amendment No. 1 contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

7.4. Governing Law.

THIS AMENDMENT NO. 1 SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW

PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

[Remainder of page intentionally left blank; next page is signature page.]

If you are in agreement with the foregoing, please so indicate by signing where indicated below on the accompanying counterpart of this Amendment No. 1 and return it to the Company, whereupon the foregoing shall become binding between us (and, to the extent provided in Section 17 of the Existing Note Purchase Agreement, each other Noteholder).

Very truly yours,

VOLT INFORMATION SCIENCES, INC.

By: \_\_\_\_\_

Name: James J. Groberg

Title: Senior Vice President

The foregoing Agreement is hereby accepted as of the date first above written.

NATIONWIDE INSURANCE ENTERPRISE COMPANY

By: \_\_\_\_\_

Name:

Title:

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

NORTHERN LIFE INSURANCE COMPANY

By: ING Investment Management LLC, as Agent

By: \_\_\_\_\_

Name:

Title:

RELIASTAR LIFE INSURANCE COMPANY OF NEW YORK  
(f/k/a Reliastar Bankers Security Life Insurance Company)

By: ING Investment Management LLC, as Agent

By: \_\_\_\_\_  
Name:  
Title:

THE CANADA LIFE ASSURANCE COMPANY,  
as beneficial owner

By: \_\_\_\_\_  
Name:  
Title:

CANADA LIFE INSURANCE COMPANY OF AMERICA,  
as beneficial owner

By: \_\_\_\_\_  
Name:  
Title:

ROYBEC & CO.

By: \_\_\_\_\_  
Name:  
Title:

SAFECO LIFE INSURANCE COMPANY

By: \_\_\_\_\_  
Name:  
Title:

MODERN WOODMEN OF AMERICA

By: \_\_\_\_\_  
Name:  
Title:

ANNEX 1 TO AMENDMENT NO. 1

List of Noteholders

Name and Address of Noteholder of Notes*	Outstanding Principal Amount
Great-West Life & Annuity Insurance Company 8515 East Orchard Road 3rd Floor, Tower 2 Greenwood Village, CO 80111 Attn: U.S. Private Placements	\$6,400,000
Northern Life Insurance Company 100 Washington Square, Suite 800 Minneapolis, MN 55401-2121 Attn: Private Placements	\$1,600,000
ReliaStar Life Insurance Company 100 Washington Square, Suite 800 Minneapolis, MN 55401-2121 Attn: Private Placements	\$3,200,000
ReliaStar Life Insurance Company of New York 100 Washington Square, Suite 800 Minneapolis, MN 55401-2121 Attn: Private Placements	\$1,600,000
The Canada Life Assurance Company 330 University Avenue, SP-11 Toronto, Ontario, CA M5G 1R8	\$4,000,000

Attn: Paul English - U.S. Private Placements

Canada Life Insurance Company of America      \$2,400,000  
330 University Avenue, SP-11  
Toronto, Ontario, CA M5G 1R8  
Attn: Paul English - U.S. Private Placements

Modern Woodmen of America                      \$2,400,000  
1701 1st Avenue  
Rock Island, IL 61201  
Attn: Investment Department

Nationwide Life Insurance Company              \$11,200,000  
One Nationwide Plaza  
Columbus, Ohio 43215  
Attn: Ward Argust

Roybec & Co. (c/o Royal Trust Company)      \$4,000,000  
P.O. Box 6007  
Montreal, Quebec H3C 3B5  
Attn: Dian McCambridge

SAFECO Life Insurance Company                  \$3,200,000  
c/o SAFECO Asset Management  
P.O. Box 34895  
Seattle, WA 98124-1895  
Attn: Christine Denis

\*Calculated prior to giving effect to the principal payment due and payable  
August 28, 2001.

ANNEX 2 TO AMENDMENT NO.1

Wiring Instructions of Noteholder              Amendment Fee Payable

Great-West Life & Annuity Insurance Company      \$6,400

The Bank of New York  
ABA #021-000-018  
BKofNYC/CTR/BBK=IOC565  
Institutional Custody Dept.-GWL #640935  
PPN# 928703 A\* 8  
Description of Security:  
7.92% Senior Notes Due 2004

Northern Life Insurance Company                  \$3,200

[Use instructions on file for interest payments]  
PPN# 928703 A\* 8  
Description of Security:  
7.92% Senior Notes Due 2004

Reliastar Life Insurance Company                  \$1,600

[Use instructions on file for interest payments]  
PPN# 928703 A\* 8  
Description of Security:  
7.92% Senior Notes Due 2004

Reliastar Life Insurance Company of New York      \$1,600

[Use instructions on file for interest payments]  
PPN# 928703 A\* 8  
Description of Security:  
7.92% Senior Notes Due 2004

The Canada Life Assurance Company              \$4,000

CHASE MANHATTAN BANK  
ABA 021-000-021  
A/c #900-9-000200

Trust Account No. G52708  
Reference: CUSIP 928703 A\*8, Volt Information  
Sciences, Inc., 7.92% Senior  
Notes due 28Aug04, Amendment Fee

Canada Life Insurance Company of America           \$2,400

CHASE MANHATTAN BANK  
ABA 021-000-021  
A/c #900-9-000200  
Trust Account No. G52709  
Reference: CUSIP 928703 A\*8, Volt Information  
Sciences, Inc., 7.92% Senior  
Notes due 28Aug04, Amendment Fee

Modern Woodmen of America                           \$2,400

The Northern Trust Company  
50 South LaSalle Street  
Chicago, Illinois 60675  
ABA 071-000-152  
Account Name: Modern Woodmen of America  
Account No. 84352  
PPN# 928703 A\* 8  
Description of Security: 7.92% Senior Notes Due 2004

Nationwide Life Insurance Company               \$11,200

The Bank of New York  
ABA #021-000-018  
BNF: IOC566  
F/A/O Nationwide Life Insurance Company  
Attn: P&I Department  
PPN# 928703 A\* 8  
Description of Security:  
7.92% Senior Notes Due 2004

Roybec & Co. (c/o Royal Trust Company)       \$4,000

[Use instructions on file for interest payments]  
PPN# 928703 A\* 8  
Description of Security: 7.92% Senior Notes Due 2004

SAFECO Life Insurance Company                   \$3,200

The Bank of New York  
ABA #: 021000018  
BBK=IOC 363  
ACCT Name: Life Retirement Svcs. Ltd. Mat.  
PPN# 928703 A\* 8  
Description of Security: 7.92% Senior Notes Due 2004

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CREDIT AGREEMENT

dated as of  
September 11, 2001  
among

VOLT INFORMATION SCIENCES, INC.,  
GATTON VOLT CONSULTING GROUP LIMITED,  
The Guarantors Party Hereto,

The Lenders Party Hereto,

and

THE CHASE MANHATTAN BANK,  
as Administrative Agent

-----  
\$127,500,000 (Short-Term) Revolving Credit Facility  
-----

THE CHASE MANHATTAN BANK, as Lead Arranger and  
Bookrunner

and

FLEET NATIONAL BANK,  
as Syndication Agent

-----  
Exhibit 4.2

CREDIT AGREEMENT dated as of September 11, 2001 among VOLT INFORMATION SCIENCES, INC. (the "Domestic Borrower"), GATTON VOLT CONSULTING GROUP LIMITED ("Gatton") and any other Subsidiary Borrower (defined below) that hereafter becomes a party hereto, VOLT MANAGEMENT CORP., VOLT DELTA RESOURCES, INC., DATANATIONAL, INC., VOLT-AUTOLOGIC DIRECTORIES S.A., LTD., VOLT HUMAN RESOURCES, INC., VOLT INFORMATION SCIENCES FUNDING, INC., and any other Guarantor (defined below) that becomes a party hereto, the Lenders (defined below) party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent (defined below), and FLEET NATIONAL BANK, ("Fleet") as Syndication Agent (defined below).

RECITALS

The Domestic Borrower wishes to be able to borrow, to obtain other extensions of credit for itself and for Gatton and other Subsidiary Borrowers; Gatton wishes to borrow, Fleet wishes to serve as Syndication Agent and the Guarantors are prepared to guaranty payment of the Borrowers' obligations to the Lenders, the Administrative Agent, the Issuing Bank and the Syndication Agent. The Lenders are prepared to lend and the Administrative Agent is prepared to act in such capacity, all subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual agreements herein, the parties hereto hereby agree as follows:

Definitions

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.

"Account Receivable" shall mean the rights of a Person to receive payment



for goods sold or leased or for services rendered in the ordinary course of business.

"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 greater of (a) the Prime Rate in effect on such day, and (b) 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 or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Alternative Currency" shall mean Sterling or euro.

"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":

Ratio of Debt for Borrowed Money to EBITDA	Eurodollar/Eurocurrency Loan Spread	Facility Fee Rate
$\geq 2.5$	117.5 bpts	30 bpts
$\geq 2.0$ but $< 2.5$	87.5 bpts	25 bpts
$\geq 1.5$ but $< 2.0$	77.5 bpts	22.5 bpts
$\geq 1.0$ but $< 1.5$	7.5 bpts	20 bpts
$< 1.0$	62.5 bpts	20 bpts

However, if at any time (a) Fitch shall no longer rate the Domestic Borrower as BBB or better, and (b) neither Moody's nor S & P shall rate the Domestic Borrower as their respective equivalent of Fitch's BBB, or better, the following increases will apply to the Spreads and Fees set forth above. If more than one of Fitch, S&P and Moody's shall rate the Domestic Borrower, the higher (or highest) rating shall apply for purposes of the grid below. Notwithstanding anything to the contrary contained in this Agreement: (i) for the first three months following the Effective Date such Spreads and Fees will be determined on

the basis of a deemed BBB- rating (as set forth below) unless there is a downgrade during such period to below BBB-, in which case such lower rating will immediately take effect; and (ii) absent such a downgrade, such deemed BBB-rating will also continue for all such purposes beyond such three month period unless (x) a reaffirmation of the current (actual) BBB rating or an upgrade was made during such three month period, in which case such reaffirmed BBB rating or such upgrade will take effect upon expiration of such three month period, (y) there is an upgrade or reaffirmation of the current (actual) BBB rating after such three month period has expired, in which case such upgrade or reaffirmation will immediately take effect or (z) there is a downgrade to below BBB-after such three month period has expired, in which case such lower rating will immediately take effect.

Rating	Eurodollar/Eurocurrency Loan Spread Increase	Facility Fee Rate Increase
BBB-	25 bpts	10 bpts
BB +	50 bpts	15 bpts
BB or lower	25 bpts	25 bpts

(All ratings referred to above are intended to correspond to ratings of the Domestic Borrower with respect to the Senior Notes unless there is a rating for this Agreement specifically, in which case such ratings are intended to correspond to such specific rating. If neither such rating shall exist, the second grid above shall cease to apply.) For purpose of the first grid above, the Domestic Borrower represents and warrants that its ratio of Debt for Borrowed Money to EBITDA, as of the end of the second quarter of fiscal 2001, was 2.11. Any changes in the Applicable Rate based upon the leverage ratio will take effect five Business Days after receipt by the Administrative Agent of the financial statements to be provided under Section 5.01 (a) or (b) and the compliance certificate under Section 5.01 (c)(ii) showing the new ratio; provided, however, that if such financial statements and compliance certificate are not delivered when due in accordance with the terms hereof, then effective on the latest date on which they are required to be delivered hereunder, the leverage ratio will be deemed to be greater than 2.5.

"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.

"Associated Costs Rate" means the rate determined in accordance with Schedule 2.13.

"Autologic" means Autologic Information International, Inc, a Delaware corporation.

"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.

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

"Borrowers" means, collectively, the Domestic Borrower, Gatton and, from and after such time as a Subsidiary Borrower (in addition to Gatton) becomes a party hereto (as a "Borrower") 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, (ii) when used in connection with a Eurocurrency Loan to be made in Sterling, "Business Day" shall also exclude any day on which commercial banks are not open for foreign exchange business in London, and (iii) when used in connection with a Eurocurrency Loan to be made in euro, "Business Day" shall also exclude any day on which commercial banks are not open for foreign exchange business in London or Frankfurt am Main, Germany (or such other principal financial center or centers in such participating member state or states (as defined in Section 9.14) as the Administrative Agent may from time to time nominate for this purpose).

"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.

"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.

"Charges" has the meaning set forth in Section 9.13.

"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.

"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 or as contemplated under Section 9.16. 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 \$127,500,000.

"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.

"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.

"Consolidated Net Income" shall mean for any accounting period net income determined in accordance with GAAP, as reported in the consolidated results for the Domestic Borrower reporting group.

"Consolidated Net Worth" means at any time as of which the amount thereof is to be determined, the sum of the following in respect of the Domestic Borrower and its Subsidiaries (determined on a consolidated basis in accordance with GAAP): (i) the amount of issued and outstanding share capital, plus (ii) the amount of additional paid-in capital and retained income (or, in the case of a deficit minus the amount of such deficit), plus (iii) the amount of all accumulated other comprehensive income minus (iv) the amount of any treasury stock, all as determined in accordance with GAAP applied on a consistent basis.

"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.

"Current Portion of Long Term Debt" shall mean the scheduled principal payments on all Indebtedness (including Capital Lease Obligations but excluding Indebtedness under this Agreement) with an original maturity of greater than one year (scheduled or otherwise) of the Domestic Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP, for the four fiscal quarters following the end of any fiscal quarter.

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

"Debt for Borrowed Money" means all Indebtedness, excluding (i) commitments and contingent obligations in respect of undrawn letters of credit and Guarantees (except, in each case, to the extent constituting Guarantees in respect of Debt for Borrowed Money of a Person other than a Borrower), (ii) Hedging Obligations, and (iii) trade payables and other liabilities (not for borrowed money) ordinarily incurred in the normal course of business.

"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.

"EBITDA" means, for any period, operating profit plus interest income of

the Domestic Borrower and its Subsidiaries for such period plus the sum of (i) depreciation expense and (ii) amortization expense, all as certified by a Financial Officer on a quarterly basis for such period, and all determined on a consolidated basis in accordance with GAAP consistently applied.

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

"Eligible Accounts Receivable" means each Account Receivable of the Domestic Borrower or any of its Subsidiaries which are included in the consolidated results of the Domestic Borrower's financial reporting group; provided, however, that an Account Receivable shall not be deemed an "Eligible Account Receivable" if such Account Receivable:

arises out of a sale or lease made by the Domestic Borrower or a Subsidiary to an Affiliate of the Domestic Borrower or by a Subsidiary or to a Person Controlled by an Affiliate of the Domestic Borrower or of a Subsidiary; or

the Account Receivable was generated on account of services performed by, or goods sold or leased by, Autologic or a subsidiary of Autologic.

"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.

"Equivalent Dollar Amount" shall mean, with respect to an amount of an 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.

"euro" has the meaning set forth in Section 9.14.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are denominated in an 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 denominated in dollars and bear 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 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).

"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.

"Fitch" means Fitch IBCA, Duff & Phelps.

"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.

"Fleet" means Fleet National Bank, a national banking association.

"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.

"Gatton" means Gatton Volt Consulting Group Limited, a corporation organized under the laws of the United Kingdom.

"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 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 include both the Guaranty of Payment and the Noteholder Guaranties of Payment, but shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" means, collectively, Volt Management Corp., Volt Delta Resources Inc., DataNational, Inc., Volt Information Sciences Funding, Inc., Volt-Autologic Directories S.A., Ltd., Volt Human Resources, Inc., and every other domestic Subsidiary required to become a Guarantor under Section 5.10 or Section 2.20.

"Guaranty of Payment" means the Joint and Several Guaranty of Payment made as of the Effective Date by the Guarantors who are parties to this Agreement as of the Effective Date, as the same may be joined in, supplemented, amended or otherwise modified pursuant to Section 2.20 or Section 5.10, or otherwise.

"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 banker's 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.

"Intercompany Debt" means loans, advances and any other extensions of credit made by the Domestic Borrower and/or any Subsidiary to any other Subsidiary.

"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 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 (x) on a date agreed upon among the Lenders pursuant to Section 2.08(e), or (y) on the numerically corresponding day in the calendar month that is one, two, three or six months after the date of such Borrowing, 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 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.

"LIBO Rate" means, with respect to any Eurodollar Borrowing or Eurocurrency Borrowing for any Interest Period, the rate appearing on the applicable page of the Telerate 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.

"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.

"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 September 9, 2002.

"Maximum Rate" has the meaning set forth in Section 9.13.

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

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

"Net Proceeds" means, (a) with respect to any Permitted Autologic Sale (i) the gross sales price or consideration paid or given in any form in respect of such sale, net of (ii) the sum of (A) all reasonable and necessary fees and out-of-pocket expenses paid by the Domestic Borrower and the Subsidiaries to third parties (other than Affiliates) in connection with such sale, (B) the amount of all payments required to be made by the Domestic Borrower and the Subsidiaries as a result of such sale to repay Indebtedness (other than Loans)

secured by any asset included in such sale, or otherwise subject to mandatory prepayment as a result of such sale (other than any such mandatory prepayment pursuant to this Agreement), and (C)(1) the amount of all taxes paid (or reasonably estimated to be payable) by the Domestic Borrower and the Subsidiaries, and (2) the amount of any reserves established by the Domestic Borrower and the Subsidiaries to fund contingent liabilities reasonably estimated to be payable, in each case under (C) during the year that such sale occurred or the next succeeding year and that are directly attributable to such sale (as determined reasonably and in good faith by the chief financial officer of the Domestic Borrower); provided, however, that in the case of a sale of an asset by a Person in which the Domestic Borrower or a Subsidiary owns less than 100% of the equity thereof, the items under clauses (a)(i) and (a)(ii) except for item (C)(2) of clause (ii) will be equitably apportioned to account for the share of such price received by the Domestic Borrower and the Subsidiaries and the cost incurred by the Domestic Borrower and the Subsidiaries; and (b) with respect to a Thousand Oaks Financing, the (i) the gross amount of the proceeds of such new loan(s), net of (ii) the sum of (A) all reasonable and necessary fees and out-of-pocket expenses paid by the borrower and any guarantors with respect to such (re)financing (the "Thousand Oaks Obligors") to third parties (other than Affiliates) in connection with such (re)financing, and (B) the amount of all payments required to be made by the Thousand Oaks Obligors as a result of such (re)financing to repay Indebtedness (other than Loans) secured by the Thousand Oaks Building or otherwise subject to mandatory prepayment as a result of such (re)financing (other than any such mandatory prepayment pursuant to this Agreement); provided, however, that if the Thousand Oaks Building is financed or refinanced at a time when the Domestic Borrower or a Subsidiary owns less than 100% of the equity in the Person which owns the Thousand Oaks Building, the items under clause (b)(i) and (b)(ii) will be equitably apportioned to account for the (re)financing proceeds received by or the fees and expenses incurred by the Domestic Borrower and the Subsidiaries.

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

"Noteholder Guaranties of Payment" means, collectively, the six Guaranty Agreements each dated on or about the date hereof made by each of the Guarantors in favor of the holders of the Senior Notes, and (if applicable) any future guaranty agreement pertaining to the Senior Notes.

"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 Autologic Sale" means (i) a sale of any or all the Domestic Borrower's shares in Autologic, (ii) the sale by Autologic, or any subsidiary of Autologic, of any substantial portion of its assets outside the ordinary course of business, or (iii) the sale of the Thousand Oaks Building, or of an interest in the Person which owns the fee interest in the Thousand Oaks Building.

"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

(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.

"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 applicable 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 of 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 Rating Services, a division of The McGraw-Hill Companies, Inc.

"Senior Notes" has the meaning set forth in the definition of Senior Note Purchase Agreement.

"Senior Note Purchase Agreement" means, collectively, the Note Purchase Agreements dated as of August 28, 1996 governing the Domestic Borrower's \$50,000,000 7.92% Senior Notes due August 28, 2004 (the "Senior Notes"), as amended by Amendment No. 1 to Note Purchase Agreement dated as of August 28, 2001, but excluding any and all other amendments or supplements thereto.

"Sharing Agreement" means the Sharing Agreement dated on or about the date of this Agreement among the holders of the Senior Notes, the Lenders and the Administrative Agent.

"Spot Exchange Rate" shall mean, on any day, with respect to an 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 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" means Gatton and any other 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.

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

"Syndication Agent" means Fleet National Bank, in its capacity as Syndication Agent hereunder.

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

"Thousand Oaks Building" means the building presently owned by Volt Realty Two, Inc., located at 1050 Rancho Conejo Boulevard in Thousand Oaks, California, which is presently leased to Autologic.

"Thousand Oaks Obligors" has the meaning set forth in the definition of Net Proceeds.

"Thousand Oaks Financing" means any financing or refinancing (after the Effective Date) of any mortgage debt covering the Thousand Oaks Building.

"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.

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").

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 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.

#### 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.

#### The Credits

##### 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 \$30,000,000. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

##### Loans and Borrowings.

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 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.

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 \$30,000,000. 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.

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 (as applicable) of (pound)500,000 and not less than (pound)1,000,000 or 500,000 euro and not less than 2,000,000 euro. 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.

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.

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 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) must 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 telecopy 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:

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

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

whether such Borrowing is to be an ABR Borrowing, a Eurodollar Borrowing or a Eurocurrency Borrowing (and, if so, whether Sterling or euro);

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

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.

Competitive Bid Procedure.

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 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:

the aggregate amount of the requested Borrowing;

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

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

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

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.

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

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.



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.

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.

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.

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.

#### Swingline Loans.

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 \$15,000,000, 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.

To request a Swingline Loan, the Domestic Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 2 p.m., 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.

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 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. Notwithstanding the foregoing, a Lender shall not have any obligation to acquire a participation in a Swingline Loan pursuant to this paragraph if an Event of Default shall have occurred and be continuing at the time such Swingline Loan was made and such Lender shall have notified the Swingline Lender in writing, at least one Business Day prior to the time such Swingline Loan was made, that such Event of Default has occurred and that such Lender will not acquire participations in Swingline Loans made while such Event of Default is continuing.

Letters of Credit.

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.

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 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.

#### Expiration Date.

Each Letter of Credit shall expire at or prior to the close of business at the principal office of the Issuing Bank on the date that is five Business Days prior to the Maturity Date.

#### 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.

#### 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 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.

#### 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 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. However, parties hereto expressly agree that, in the absence of gross negligence or willful 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.

#### 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.

#### 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.

#### 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. 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.

#### 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.

#### Funding of Borrowings.

Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds 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 an Alternative Currency, 12:00 noon, 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.

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.

#### Interest Elections.

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.

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

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

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);

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

whether the resulting Borrowing is to be an ABR Borrowing, a Eurodollar Borrowing or a Eurocurrency Borrowing (and, if so, whether Sterling or euro); and

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.

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.

If a Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing or a Eurocurrency 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 (i) such a Eurodollar Borrowing shall be converted to an ABR Borrowing, and (ii) such a Eurocurrency Borrowing shall be

continued for a one month Interest Period unless such an Interest Period would extend beyond the Maturity Date, in which case such a Eurocurrency Borrowing shall be continued for an Interest Period of a duration of shorter than one month which is mutually agreed upon among the Lenders, and if no such agreement can be reached, such Eurocurrency Borrowing shall be repaid upon the close of the then expiring Interest Period. 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 or a Eurocurrency 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.

Termination and Reduction of Commitments.

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

The Borrowers may at any time voluntarily terminate, or from time to time voluntarily reduce, the Commitments; provided that (i) each voluntary 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 voluntarily 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.

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.

Subject to Section 2.11(c), the Commitments shall be automatically

permanently reduced (or terminated if applicable) by an amount equal to one-half of the Net Proceeds of each Permitted Autologic Sale and each Thousand Oaks Financing. Upon the closing of each Permitted Autologic Sale and each Thousand Oaks Financing, the Domestic Borrower shall provide the Administrative Agent with a reasonably detailed written statement showing the calculation of Net Proceeds with respect to the applicable Permitted Autologic Sale or Thousand Oaks Financing.

Any termination or reduction of the Commitments (whether voluntary or mandatory) shall be permanent. Each reduction of the Commitments (whether voluntary or mandatory) shall be made ratably among the Lenders in accordance with their respective Commitments.

Repayment of Loans; Refinancing of Competitive Loans; Evidence of Debt.

The Domestic Borrower and each respective Subsidiary Borrower (including Gatton) 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 respective 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 the Lender thereof, 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.

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.

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.

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.

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).

#### Voluntary and Mandatory Prepayment of Loans.

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 voluntarily prepay any Competitive Loan without the prior consent of the Lender thereof.

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 voluntary 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.

Immediately upon the closing of a Permitted Autologic Sale or Thousand Oaks Financing, the Domestic Borrower shall be required to pay the Administrative Agent, as hereinafter provided in this Section 2.11(c), the amount (if any) by which the sum of the Revolving Credit Exposures plus the aggregate principal amount of all outstanding Competitive Loans would (but for such mandatory payment) exceed the total Commitments following the reduction of the Commitments in accordance with Section 2.09(d). Mandatory prepayments made in connection with a Permitted Autologic Sale or Thousand Oaks Financing shall be paid to the Administrative Agent for the account of the Lenders and, if applicable, the Issuing Bank as hereinafter provided. Except in the case of a Competitive Borrowing, which shall be last in order of application unless all Lenders other than the Lender who made such Loan agree otherwise in writing, the Domestic Borrower shall be entitled to designate the order (of Borrowings) in which any mandatory prepayment required in connection with a Permitted Autologic Sale or Thousand Oaks Financing shall be applied. In the case of any prepayment of a Eurodollar Borrowing or a Eurocurrency Borrowing in connection with a Permitted Autologic Sale or Thousand Oaks Financing, if the Domestic Borrower shall request in writing prior to or simultaneously with the making

of such payment, the Lenders shall hold such payment as cash collateral in an interest bearing account until the end of the applicable Interest Period(s), to the extent necessary to avoid a break-funding cost with respect to such Eurodollar Borrowing or Eurocurrency Borrowing, which cost would otherwise be payable by the Borrowers under Section 2.16; provided, however, that in the case of any cash collateralization of any portion of a Eurocurrency Loan, the Administrative Agent shall be authorized and directed to immediately convert the dollars paid to it for such cash collateral purposes into an equivalent amount of the applicable Alternative Currency by applying the Spot Exchange Rate thereto. If the application of such mandatory prepayments results in the satisfaction of all Loans, the Administrative Agent shall pay any remaining mandatory prepayments to the Administrative Agent to hold as cash collateral (in an interest bearing account) against the Domestic Borrower's reimbursement obligations with respect to the Letters of Credit, if any Letter of Credit is outstanding at the time. (If no Letter of Credit is outstanding under such circumstances, the Commitments shall terminate.) If there is any excess after such payment to the Administrative Agent on account of Letter of Credit reimbursement obligations, the same will be repaid to the Domestic Borrower. In the event of the cash collateralization of any obligation to repay a Eurodollar Borrowing or a Eurocurrency Borrowing, or in the event cash collateral is provided to the Administrative Agent as aforesaid, to the extent necessary to cause the total Commitments to not fall below the sum of the Revolving Credit Exposures plus the aggregate outstanding principal amount of the Competitive

Loans, the mandatory and permanent reduction in the Commitments required under Section 2.09(d) shall not occur until the actual application of such cash collateral against the principal of such Loans and/or (if applicable) the Administrative Agent's return of such (Letter of Credit reimbursement) cash collateral to the Domestic Borrower upon termination of all LC Exposures; provided, however, that the Borrowers shall not be permitted to effect new Borrowings and the Domestic Borrower shall not be permitted to cause the issuance of new Letters of Credit hereunder if the same would cause the sum of the Revolving Credit Exposures plus the principal amount of outstanding Competitive Loans to exceed the aggregate amount to which the Commitments are required to be reduced upon the completion of all such applications of cash collateral and termination of all L/C Exposures as aforesaid.

Fees.

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).

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, (A) which shall accrue in the case of a standby Letter of Credit, at the same Applicable Rate as would apply in calculating interest on Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure with respect to such standby Letter of Credit (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 with respect to such standby Letter of Credit, and (B) which shall be, in the case of a documentary Letter of Credit, calculated at the rate of .25% of the face amount of the Letter of Credit in question; and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.25% 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 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 each 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).

[Intentionally omitted].

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.

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.

Interest.

The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate.

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 plus, in the case of a Eurocurrency Loan funded in the United Kingdom, the Associated Costs 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.

Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

Notwithstanding the foregoing, upon the occurrence and during the continuance of an Event of Default, (i) interest on Loans shall accrue at a rate equal to (after as well as before judgment) 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 not paid when due, such amount shall bear interest at a rate equal to 2% per annum plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

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.

All interest hereunder shall be computed on the basis of a year of 360 days (or 365 days in the case of either an ABR Loan where interest is calculated with reference to the Prime Rate or a Eurocurrency Loan funded in Sterling), 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.

Alternate Rate of Interest.

If prior to the commencement of any Interest Period for a Eurodollar Borrowing or a Eurocurrency Borrowing:

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;

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; or

the Administrative Agent determines (which determination shall be conclusive absent manifest error) that it would be illegal to conduct a Eurodollar Borrowing at the time in question;

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.

Increased Costs.

If any Change in Law shall:

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

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.

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.

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.

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 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.

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.

#### 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 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 deposits in the applicable currency of a comparable amount and period from other banks in the eurodollar or eurocurrency market, as applicable. 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.

#### Taxes.

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, (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.

In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

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.

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.

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.

Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

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 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.

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.

If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of 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.

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 in fact such payment has not been made, 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.

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.

#### Mitigation Obligations; Replacement of Lenders.

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.

If any Lender requests compensation under Section 2.15, or if one or more 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.

## Subsidiary Borrowers.

With the written consent of the Administrative Agent, which may be granted or withheld in its sole discretion, in addition to Gatton, 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 (i) shall execute and deliver to the Administrative Agent an instrument substantially in the form of Exhibit 2.20 hereto, and (ii) 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. In addition, it shall be a further condition to becoming a Subsidiary Borrower that each such Subsidiary which is organized under the laws of the United States or any State or other political subdivision thereof, shall simultaneously with becoming a Subsidiary Borrower also become a Guarantor with respect to the Indebtedness of all other Borrowers by joining in the Guaranty of Payment, and providing all other documents in connection with such joinder, as would be required of a new Guarantor pursuant to Section 5.10.

## Representations and Warranties

Subject to Section 9.17, each of the Domestic Borrower, Gatton and each Guarantor (and, from and after such time as (i) any other Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such other Subsidiary Borrower, and (ii) any other Subsidiary becomes a Guarantor pursuant to Section 5.10, such other Subsidiary) represents and warrants to (and where applicable covenants with) the Lenders, the Issuing Bank, and the Administrative Agent that:

### 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.

### Authorization; Enforceability.

The Transactions are within the Borrowers' and the Guarantors' 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 the Guarantors, and constitutes a legal, valid and binding obligation of the Borrowers and the Guarantors, 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.

### 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, by-laws or other organizational documents of the Domestic Borrower or any of its Subsidiaries (including Gatton and the Guarantors) 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 Borrower or any of its Subsidiaries (including Gatton and the Guarantors) 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 (including Gatton and the Guarantors), 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 (including Gatton and the Guarantors).



#### Financial Condition.

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, 2000, 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 May 6, 2001, 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.

The Domestic Borrower and its Subsidiaries have no liabilities, contingent or otherwise, that were required under GAAP to be, but have not been, disclosed in the financial statements referred to in paragraph (a) of this Section.

Schedule 3.04 sets forth a list of all Indebtedness described in Section 6.01(b) and (e) as of the Effective Date.

#### Properties.

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.

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.

#### Litigation and Environmental Matters.

There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrowers or the Guarantors, 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, the Guaranty of Payment, any other Credit Document or the Transactions.

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.

#### Compliance with Laws and Agreements; No Default.

Each of the Domestic Borrower and its Subsidiaries (including Gatton and the Guarantors) 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 exists.

Investment and Holding Company Status; Federal Reserve Regulations.

Neither the Domestic Borrower nor any of its Subsidiaries (including Gatton and the Guarantors) 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.

Neither the Domestic Borrower nor any Subsidiary (including Gatton and the Guarantors) 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 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 T, U or X thereof.

Taxes.

Each of the Domestic Borrower and its Subsidiaries (including Gatton and the Guarantors) 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.

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.

Subsidiaries; Joint Ventures.

Schedule 3.11 sets forth as of the Effective Date a list of all Subsidiaries, all investments (including Intercompany Debt) in Persons in which the Domestic Borrower or one or more of its Subsidiaries (including Gatton and the Guarantors) 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 Borrower 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.

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 one or more of the Borrowers and their respective subsidiaries, 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 (including Gatton and the Guarantors).

#### 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 (including Gatton and the Guarantors).

#### 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 and the Guarantors 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).

#### 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 or the Guarantors to the Administrative Agent and the Issuing Bank or any Lender in connection with the negotiation of this Agreement or the Guaranty of Payment, or delivered hereunder or thereunder (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 and the Guarantors represent

only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

#### Offices.

The principal offices maintained by the Domestic Borrower and each of the Guarantors in the United States are located as set forth on Schedule 3.16.

#### Conditions

#### 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):

The Administrative Agent (or its counsel) shall have received: (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include teletype transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement; and (ii) from each party thereto either (A) a counterpart of the Guaranty of Payment signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include teletype transmission of a signed signature page of the Guaranty of Payment) that such party has signed a counterpart of the Guaranty of Payment.

The Administrative Agent shall have received a favorable written opinion (addressed to, and reasonably acceptable to, the Administrative Agent, the Syndication Agent, the Issuing Bank and the Lenders and dated the Effective Date) of (i) in-house counsel to the Domestic Borrower and the Guarantors covering certain corporate matters, (ii) Jenkens & Gilchrist Parker Chapin LLP, outside counsel to the Domestic Borrower and the Guarantors, covering such matters relating to the Domestic Borrower and the Guarantors, this Agreement, the Guaranty of Payment or the Transactions as the Lenders and the Issuing Bank shall reasonably request, and (iii) in-house counsel to Gatton covering due authorization, valid execution, enforceability and such other matters relating to Gatton, this Agreement or the Transactions as the Lenders and the Issuing Bank shall reasonably request. The Domestic Borrower, the Guarantors and Gatton (as applicable) hereby request such counsel to deliver such opinions.

The Administrative Agent shall have received (i) a certificate of the Secretary or an Assistant Secretary of each of the Domestic Borrower, each of the Guarantors and Gatton (as indicated below) certifying (A) that there have been no amendments or other changes to the Domestic Borrower's Certificate of Incorporation or by-laws since August 17, 2000, and (B) that the copies of Gatton's and each Guarantor's organizational documents attached to their respective certificates (of the Secretary or Assistant Secretary of each of them) are true, complete and unamended; (ii) (A) a good standing certificate in respect of the Domestic Borrower and each Guarantor from the Secretary of State of their respective

jurisdictions 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 and (B) an equivalent "good standing" confirmation for Gatton; (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 each of the Domestic Borrower, each Guarantor and Gatton, of the resolutions of their respective Boards of Directors authorizing the execution, delivery and performance of this Agreement and the other 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 each of the Domestic Borrower, each Guarantor and Gatton, dated as of the Effective Date, as to the incumbency and specimen signatures of the officers of the Domestic Borrower, each Guarantor and Gatton (as applicable) 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, each Guarantor and Gatton pursuant hereto or thereto, and certification by one of such officers of the Domestic Borrower, each Guarantor and Gatton as to the incumbency and specimen signature of such respective Secretary or Assistant Secretary. The Administrative Agent shall also have received UCC searches satisfactory to the Lenders, run against the Domestic Borrower in New York County, New York, Orange County, California, the Secretary of State's Office in New York and the Secretary of State's Office in California and run against the Guarantors in the jurisdictions specified by the Administrative Agent, as well as such other good standing certificates, tax status certificates, search reports, shareholders' consents, other documents and other certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Domestic Borrower, the Guarantors and/or Gatton, the authorization of the Transactions and any other legal matters relating to the Domestic Borrower and/or Gatton, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

The Administrative Agent shall have received and approved the financial statements described in Section 3.04.

Each Lender shall have received and approved copies (which may be a conformed copies) of the Senior Note Purchase Agreement, and all amendments and supplements thereto (including any amendment made in connection with the making of the Noteholder Guaranties of Payment), as well as the Noteholder Guaranties of Payment, the Sharing Agreement and the written consent of the holders of the Senior Notes to the Guaranty of Payment.

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.

The Administrative Agent and each Lender shall have received all fees and other amounts due and payable to them on or prior to the Effective Date, including, to the extent invoiced,

reimbursement or payment of all out-of-pocket expenses of the Administrative Agent required to be reimbursed or paid by the Borrowers hereunder.

The Administrative Agent and the Lenders shall have received a letter satisfactory to them, confirming the Borrower's obligations to pay certain fees to the Administrative Agent and the Lenders.

(i) The Administrative Agent shall have received for the account of each Lender with a Commitment of at least (A) \$15,000,000 but less than \$20,000,000, an "up front" fee equal to the amount of such Lender's Commitment multiplied by 22.5 basis points, and (B) \$20,000,000 or more, an "up front" fee equal to the amount of such Lender's Commitment multiplied by 30 basis points.

(j) (i) The Domestic Borrower shall have paid (A) all principal, interest and fees (including break-funding fees with respect to "Eurodollar Loans" and "Eurocurrency Loans" being prepaid thereunder) accrued to but excluding the Effective Date under both the Amended and Restated Credit Agreement dated as of August 17, 2000, as amended, and the Amended and Restated Credit Agreement dated as of December 22, 1998, as amended, in each case among the "Borrowers" and the "Lenders" named therein and The Chase Manhattan Bank as "Administrative Agent", or any fee letter referred to therein or related thereto, and (B) any and all LC Disbursements under the said Amended and Restated Credit Agreements, as amended; and (ii) all "Commitments" (as defined in the said Amended and Restated Credit Agreements) shall be terminated, and such termination shall be confirmed in a writing by the Domestic Borrower, Gattton and The Chase Manhattan Bank in its capacity as "Administrative Agent" under the said Amended and Restated Credit Agreements.

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.

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:

The representations and warranties of the Borrowers and the Guarantors 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.

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 and each Guarantor on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

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, subject to Section 9.17, each of the Domestic Borrower, Gattton and each Guarantor (and, from and after such time as (i) any other Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such other Subsidiary Borrower, and (ii) any other Subsidiary becoming a Guarantor pursuant to Section 5.10, such other Subsidiary) covenants and agrees with the Lenders, the Issuing Bank, and the Administrative Agent that:

Financial Statements and Other Information.

The Borrowers and the Guarantors will furnish to the Administrative Agent, the Issuing Bank, and each Lender:

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;

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;

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;

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);

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;

concurrently with the information furnished under clause (a) and clause (b) above, a list of all Subsidiaries and the aggregate principal amount of any Intercompany Debt owed by each of them; and

promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Domestic Borrower, Gattton, any Guarantor or any other Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

#### Notices of Certain Events.

The Borrowers and the Guarantors will furnish to the Administrative Agent, the Issuing Bank, and each Lender prompt written notice of the following:

the occurrence of any Default;

the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Domestic Borrower, Gattton, any Guarantor or any Affiliate of a Borrower that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

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;

any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect;

the formation or acquisition of any Material Subsidiary or the acquisition of any material assets or business;

the incurrence by any Subsidiary which is not a Guarantor of Intercompany Debt totalling \$5,000,000 or more in the aggregate;

a Subsidiary, acquired or organized after the Effective Date under the laws of the United States or any State or other political subdivision thereof, achieving total assets with a fair market value (without deduction for any Liens) of \$5,000,000 or more; or

(h) a Subsidiary that is not a Guarantor becoming a guarantor under a Noteholder Guaranty of Payment.

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.

Existence; Conduct of Business.

Each Borrower and each Guarantor 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.

Payment of Obligations.

Each Borrower and each Guarantor 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, such Guarantor 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, any Guarantor or any such subsidiary.

Maintenance of Properties; Insurance.

Each Borrower and each Guarantor 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 and each Guarantor 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.

Books and Records; Inspection Rights.

Each Borrower and each Guarantor 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 and each Guarantor 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.

#### Compliance with Laws.

Each Borrower and each Guarantor 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.

#### 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.

#### Further Assurances.

Each Borrower and each Guarantor 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.

#### Additional Guarantors.

If, after the Effective Date, (i) any additional Subsidiary organized under the laws of the United States or any State or other political subdivision thereof is formed or acquired, which new domestic Subsidiary shall at any time have total assets with a fair market value of \$5,000,000 or more, or (ii) any Subsidiary (now existing or hereafter formed or acquired, and irrespective of the amount of its total assets) shall either (x) become indebted in an aggregate principal amount of \$5,000,000 or more on account of Intercompany Debt, or (y) be required to become a guarantor under a Noteholder Guaranty of Payment, the Domestic Borrower will (A) so notify the Administrative Agent, and (B) cause each such Subsidiary to become a "Guarantor" under the Guaranty of Payment, jointly and severally with all the other Guarantors, by joining in this Agreement and the Guaranty of Payment pursuant to documentation reasonably satisfactory to the Administrative Agent, within 10 Business Days (1) in the case of clause (i), after such Subsidiary first achieves such \$5,000,000 total asset value, or (2) in the case of clause (ii), after such Intercompany Debt has reached the said \$5,000,000 threshold or such requirement to become a guarantor has taken effect, as applicable; provided, however, that the Uruguayan Subsidiary known as Tainol, S.A. shall not be required to become a Guarantor pursuant to foregoing clause (ii)(x) unless the aggregate principal amount of its Intercompany Debt shall exceed \$12,500,000.

#### 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, subject to Section 9.17, the Domestic Borrower, Gatton and each of the Guarantors (and, from and after such time as (i) another Subsidiary Borrower becomes a party hereto pursuant to Section 2.20, such other Subsidiary Borrower, and (ii) any other Subsidiary becomes a Guarantor pursuant to Section 5.10, such other Subsidiary) covenants and agrees with the Lenders, the Issuing Bank, and the Administrative Agent that:

#### Indebtedness.

The Domestic Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:



Indebtedness created hereunder or under the Guaranty of Payment;

unsecured Indebtedness of (i) the Domestic Borrower evidenced by the Senior Notes, and (ii) one or more Subsidiaries under the Noteholder Guaranties of Payment, in each case not exceeding \$30,000,000 in aggregate principal amount at any one time;

advances from customers received in the ordinary course of business;

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;

other Indebtedness of the Subsidiaries (i) constituting Intercompany Debt, in any amount (subject to compliance with Section 5.10), or (ii) to one or more other Persons, in an aggregate principal amount not exceeding \$30,000,000 plus the amount of any Indebtedness arising from a Thousand Oaks Financing, at any time outstanding; provided that (in the case of (i) and (ii)) there would not be any Default after giving effect to the incurrence of any Indebtedness permitted under this paragraph; and

unsecured Indebtedness of the Domestic Borrower not having any priority superior in any respect to the Indebtedness of the Domestic Borrower hereunder.

Liens; Certain Asset Sales.

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:

Permitted Encumbrances;

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 encumber or 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;

Liens securing Indebtedness, other than Indebtedness arising from a Thousand Oaks Financing, permitted under clause (e)(ii) of Section 6.01;

Liens securing Indebtedness arising from a Thousand Oaks Financing, provided that such Liens do not encumber or apply to any asset or property other than the Thousand Oaks Building and the rents, fixtures and other personal property associated therewith, which would ordinarily be encumbered in a conventional mortgage financing; and

assignments or sales of Accounts Receivable permitted under clause (ii) of Section 6.03(b).

Fundamental Changes.

Other than a merger which constitutes an integral part of a transaction resulting directly in a Permitted Autologic Sale, 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 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 for (i) sales of inventory in the ordinary course of business and the disposition of obsolete, surplus, or otherwise unusable equipment, (ii) sales or transfers of Accounts Receivable from the Domestic Borrower to a Guarantor, from a Guarantor to the Domestic Borrower or from a Guarantor to another Guarantor, and (iii) a Permitted Autologic Sale subject to compliance with Sections 2.09(d) and 2.11(c), 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 in any fiscal year, 15% of Consolidated Assets as of the end of the most recently completed fiscal year; provided, that there shall be excluded from such annual amount, 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 or, if the proceeds are received less than 180 days before the Maturity Date, provided that the Domestic Borrower can demonstrate to the reasonable satisfaction of the Administrative Agent that the same will be applied within such 180 day period. Without limiting the foregoing, except as set forth above 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 for collections and credits in the ordinary course of business.

(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.

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:

Permitted Investments;

investments by the Domestic Borrower existing on the date hereof in the capital stock of its Subsidiaries;

loans or advances to employees not exceeding \$1,000,000 in the aggregate at any one time outstanding;

Guarantees constituting Indebtedness permitted by Section 6.01;

(e) a merger permitted under Section 6.03(a);

(f) other investments not exceeding, in the aggregate (for all such investments by the Domestic Borrower and all Subsidiaries), \$10,000,000;

(g) Intercompany Debt, subject to compliance with Section 5.10; and

(h) loans or advances by a Subsidiary to the Domestic Borrower, subject to the Domestic Borrower's compliance with Section 6.01(f).

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.

#### 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: (i) payments to holders of options to acquire shares of capital stock of the Borrower or of a Subsidiary, which payments are made to terminate such options in connection with a Permitted Autologic Sale, and provided that the amount of any such payment does not exceed the difference between the per share price paid to the stockholders under the terms of the Permitted Autologic Sale in question and the per share exercise price under such option; and (ii) 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. Notwithstanding anything in the foregoing sentence to the contrary, the Domestic Borrower shall not in any fiscal year make payment of any dividend (other than a stock dividend) or any other payment in respect of its capital stock which would cause the total of all such payments in such fiscal year to exceed 25% of its Consolidated Net Income for the prior fiscal year.

#### 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).

#### 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.

#### Priority of Obligations.

The Borrowers and the Guarantors will not permit or suffer any present or future unsecured Indebtedness of any of the Borrowers or any of the Guarantors to have any priority superior in any respect to the Indebtedness of the Borrowers hereunder or the Guarantors under the Guaranty of Payment.

#### Certain Financial Covenants.

The Domestic Borrower will not permit or suffer Consolidated Net Worth at the end of any fiscal year to be less than the sum of (i) \$230,000,000 and (ii) 50% of Consolidated Net Income for the fiscal year (if greater than zero for such

year) of the Domestic Borrower being measured.

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) EBITDA for the period of four consecutive fiscal quarters of the Domestic Borrower ending on such date to (ii) tax expense attributable to operating income and to interest income plus gross interest expense, dividends and Current Portion of Long Term Debt, to be less than 1.5 to 1.0.

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) Debt for Borrowed Money to (ii) EBITDA (measured for the four fiscal quarters then ended), to be greater than 3.0 to 1.0, except that as of the last day of the fourth quarter of the 2001 fiscal year the level may exceed 3.0 to 1.0 but may not exceed 3.15 to 1.0.

The Domestic Borrower will not permit or suffer the ratio of (i) the total amount of Eligible Accounts Receivable less the amount of all reserves against uncollectibility (both general and specific) taken by the Domestic Borrower reporting group to (ii) the aggregate principal Indebtedness under this Agreement, the Senior Note Purchase Agreement and any other unsecured and unsecured obligation of any kind (constituting Indebtedness), whether actual, contingent or otherwise (including the amount of all undrawn letters of credit), of the Domestic Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP, to be less than 2.0 to 1.0 as of the end of any fiscal quarter of the Domestic Borrower.

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, 2002 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 2000 as if such calendar year had been the Domestic Borrower's fiscal year, and there shall not result any Default under such restated 2000 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 GAAP; 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.

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 a provision whereby the Loans and other obligations of the Borrowers hereunder and those of the Guarantors under the Guaranty of Payment 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 and the obligations of the Guarantors under the Guaranty of Payment 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 and the obligations of the Guarantors under the

Guaranty of Payment 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.

#### Events of Default

If any of the following events ("Events of Default") shall occur:

(i) a Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement, or (ii) a Guarantor shall fail to make any payment under the Guaranty of Payment, in any such case 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;

a Borrower shall fail to pay any interest on any Loan or fail to pay any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, in any such case within two Business Days after the same shall become due and payable;

any representation or warranty made or deemed made by or on behalf of a Borrower or any Subsidiary (whether or not a Guarantor) in or in connection with this Agreement, the Guaranty of Payment, or any amendment or modification hereof or thereof, or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement, the Guaranty of Payment, or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

a Borrower or a Guarantor shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Borrowers' and the Guarantors' existence), 5.08 or 5.10, or in Article VI;

a Borrower or a Guarantor 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 Domestic Borrower (which notice will be given at the request of any Lender or the Issuing Bank);

a Borrower or any Subsidiary (whether or not a Guarantor) 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;

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;

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, a Guarantor 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, a Guarantor 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;

a Borrower, a Guarantor 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, a Guarantor 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;

a Borrower, a Guarantor or any Material Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

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, a Guarantor, 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, a Guarantor or any Subsidiary to enforce any such judgment(s) for the payment of money in an aggregate amount in excess of \$1,000,000;

an ERISA Event shall have occurred that, in the opinion of the Required Lenders, alone or 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;

a Change in Control shall occur; or

any Credit Document (including the Guaranty of Payment) shall cease to be, or it shall be asserted by or on behalf of a Borrower, a Guarantor or any successor to any of them that any Credit Document (including the Guaranty of Payment) 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 and the Guarantors, 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 and the Guarantors 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 the Guarantors, (iii) require cash collateral as contemplated by Section 2.06(j), and (iv) enforce any or all of the Lenders' and/or the Administrative Agent's rights under the Guaranty of Payment; 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 and the Guarantors accrued hereunder, shall automatically become due and payable and the obligation to provide cash collateral as aforesaid shall automatically arise, in each case, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers and the Guarantors.

#### The Administrative Agent and Syndication Agent

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent and the Syndication Agent as its agent and authorizes the Administrative Agent and the Syndication Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent and the Syndication Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

Any bank serving as the Administrative Agent or as the Syndication 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 Syndication 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 Syndication Agent hereunder.

The Administrative Agent and the Syndication 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 Syndication 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 Syndication 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 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 Syndication Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrowers, the Guarantors or any of the Subsidiaries that is communicated to or obtained by any bank serving as Administrative Agent or the Syndication 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, a Guarantor 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, the Guaranty of Payment or any other Credit Document, (ii) the contents of any consent, 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, the Guaranty of Payment 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.

The Administrative Agent and the Syndication 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. Each of the Administrative Agent and the Syndication 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 Syndication Agent may consult with legal counsel (who may be counsel for the Borrowers and/or the Guarantors), 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. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all the Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action (it being understood that this provision shall not release the Administrative Agent from performing any action with respect to the Borrowers and/or the Guarantors expressly required to be performed by it pursuant to the terms hereof) under this Agreement. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

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.

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, the Borrowers and the Guarantors. 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 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 Syndication Agent may resign at any time by notifying the Administrative Agent, the Lenders, the Issuing Bank, the Borrowers and the Guarantors.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or the Syndication 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 Syndication 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.

#### Miscellaneous

#### 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 or a Guarantor, to such Borrower or Guarantor c/o Volt Information Sciences, Inc., 560 Lexington Avenue, 15th Floor, New York, New York 10022, Attention of James J. Groberg, Senior Vice President and Chief Financial Officer (Telecopy No. (212) 704-2417), with a copy to Volt Information Sciences, Inc., 560 Lexington Avenue, 15th Floor, New York, New York 10022, 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, 1166 Avenue of the Americas, New York 10036, Attention of Carol Kornbluth (Telecopy No. (212) 899-2908);

(c) if to the Syndication Agent, to Fleet National Bank, 1185 Avenue of the Americas, New York, New York 10036, Attention of Roman Mordkovich (telecopy No. (212) 819-4120);

(d) if to the Issuing Bank, to it at The Chase Manhattan Bank, 1166 Avenue of the Americas, New York, New York 10036, Attention of Carol Kornbluth (Telecopy No. (212) 899-2908);

(e) if to the Swingline Lender, to it at The Chase Manhattan Bank, 1166 Avenue of the Americas, New York, New York 10036, Attention of Carol



Kornbluth (Telecopy No. (212) 899-2908); 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.

Waivers; Amendments.

No failure or delay by the Administrative Agent, the Syndication 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 Syndication 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 or a Guarantor 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.

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, the Guarantors and the Required Lenders or by the Borrowers, the Guarantors 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 payment of the principal amount of any Loan or LC Disbursement (including any mandatory prepayment

under Section 2.11), 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 Syndication Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Syndication Agent, the Issuing Bank or the Swingline Lender, as the case may be.

Expenses; Indemnity; Damage Waiver.

The Borrowers and the Guarantors 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.

The Borrowers and the Guarantors shall indemnify the Administrative Agent, the Syndication 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 this Agreement or any agreement or instrument contemplated 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, a Guarantor or any Subsidiary, or any Environmental Liability

related in any way to a Borrower, a Guarantor or any Subsidiary, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) 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.

To the extent that a Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Syndication 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 Syndication 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 Syndication Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

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.

All amounts due under this Section shall be payable not later than ten days after written demand therefor.

Successors and Assigns.

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 no Borrower or Guarantor may 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.

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, as the case may be) must give their prior written consent to such assignment (which consent shall not be unreasonably 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 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.

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 Guarantors, 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 Guarantors, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

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 effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

Any Lender may, without the consent of any Borrower or Guarantor, the Administrative Agent, the Syndication 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 the Guaranty of Payment and the other Credit Documents (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 Guarantors, 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 and the Guarantors 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.

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 and the Guarantors, to comply with Section 2.17(e) as though it were a Lender.

Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement, the Guaranty of Payment and the other Credit Documents 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.

Survival.

All covenants, agreements, representations and warranties made by the Borrowers and the Guarantors 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 Guaranty of Payment, 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 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.

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.

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.

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 or

any Guarantor against any of and all the obligations of such Borrower or Guarantor now or hereafter existing under this Agreement or the Guaranty of Payment 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 unmatured. The rights of each Lender and of the Issuing Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender or the Issuing Bank may have.

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

This Agreement is, and shall be deemed to be, a contract entered into under and pursuant to the laws of the State of New York, and shall be in all respects governed, construed, applied and enforced in accordance with the laws of the State of New York without regard to conflicts of laws principles of New York State law other than ss. 5-1401 of the New York General Obligations Law.

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.

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.

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. Gatton and the Guarantors hereby irrevocably and unconditionally designate the Domestic Borrower located at its address set forth

in Section 9.01, as agent of Gatton and each Guarantor to receive for and on behalf of Gatton and each Guarantor, service of process in any legal action or proceeding arising out of or relating to this Agreement. It is understood that a copy of such process served on such agent will be promptly forwarded by mail to Gatton or any such Guarantor as applicable at its address set forth in Section 9.01, but the failure of

Gatton or such Guarantor to receive such copy shall not affect in any way the service of such process.

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 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.

#### 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.

#### 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.

#### 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 Guarantor 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 or a Guarantor. For the purposes of this Section, "Information" means all information received from any Borrower or Guarantor relating to any Borrower or Guarantor or any of their respective businesses, 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 or a Guarantor; provided that, in the case of information received from a Borrower or a Guarantor 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.

#### 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.

#### European Economic and Monetary Union; Possible Transition from Sterling to euro.

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 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.

Effectiveness of Provisions. If and to the extent that any of the provisions of

subsections (c) to (j) below (inclusive) relate to the United Kingdom or any other state (or Sterling or the currency of any such other 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 the United Kingdom or such other state (and Sterling or the currency of such other state) at and from the date on which the United Kingdom or such other state becomes a participating member state.

**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.

**Loans.** Any Loan in the currency of a participating member state shall be made in the euro unit.

**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

London and New York City and

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).

**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.

**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.

**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, the Guarantors 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.

**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.

**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 and each Guarantor to the Lenders, and the Lenders to the Borrowers under or pursuant to this Agreement:

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

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.

**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.

**Multiple Borrowers.**

As set forth in Section 2.10, the Domestic Borrower shall be jointly and severally liable with each respective Subsidiary Borrower in respect of the principal of, and interest on, all Loans made to such respective Subsidiary Borrower hereunder. No Subsidiary Borrower (including Gatton) shall be liable for the repayment of the principal of, and interest on, Loans made to the Domestic Borrower or to another Subsidiary Borrower, or for reimbursement of an LC Disbursement for the account of the Domestic Borrower; provided, however, that nothing contained herein shall be deemed to affect the liability under the Guaranty of Payment of any Subsidiary Borrower that is also a Guarantor thereunder. Except as expressly set forth above in this Section 9.15(a) with respect to the liability of a Subsidiary Borrower with regard to principal and interest on Loans to the Domestic Borrower or to any other Subsidiary Borrower or on account of LC Disbursements, and subject to Section 9.17, each Borrower and each Guarantor agrees that the representations and warranties made by, and the liabilities, obligations, and covenants of and applicable to, any or all of the Borrowers and the Guarantors 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. Except if otherwise expressly stated, every notice by or to any Borrower or Guarantor shall be deemed also to constitute simultaneous notice by or to each other Borrower and each other Guarantor (as applicable), every act or omission by any Borrower or Guarantor shall be binding upon each Borrower and Guarantor, and (subject to Section 9.17) the Administrative Agent, the Issuing Bank and the Lenders are fully authorized by each Borrower and each Guarantor to act and rely also upon the representations and warranties, covenants, notices, acts, and omissions of each other Borrower and each other Guarantor. Without limiting the generality of the foregoing, each Borrower and each Guarantor agrees that the obligations of each of them hereunder and under the other Credit Documents shall be enforceable against each of them notwithstanding that this Agreement, the Guaranty of Payment or any other Credit Document may be unenforceable in any respect against any other Borrower or Guarantor.

(b) The Domestic Borrower is accepting joint and several liability for all

obligations of the Subsidiary Borrowers with respect to the Loans made to a Subsidiary Borrower hereunder in consideration of the financial accommodations to be provided by the Lenders under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each Subsidiary Borrower to accept its own liability for such obligations.

(c) The Domestic Borrower and each respective Subsidiary Borrower, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with each other as set forth herein, with respect to the payment and performance of all of such obligations with respect to the Loans made to such respective Subsidiary Borrower, it being the intention of the parties hereto that all such obligations shall be joint and several as aforesaid, without preference or distinction among them. If and to the extent that either of the Domestic Borrower or such respective Subsidiary Borrower shall fail to make any payment with respect to any of such obligations as and when due or to perform any of such obligations in accordance with the terms hereof, then in each such event the other such Borrower, subject to paragraph (a) of this Section 9.15, will make such payment with respect to, or perform, such obligation.

(d) The obligations with respect to the Loans made to a Subsidiary Borrower under the provisions of Section 2.10 and this Section 9.15 constitute full recourse obligations of each of the Domestic Borrower and such Subsidiary

Borrower (as applicable) enforceable against each such Person to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement, the other Credit Documents or any other circumstances whatsoever.

(e) Except as otherwise expressly provided in this Agreement, the Domestic Borrower and each Subsidiary Borrower (as applicable) hereby waives notice of acceptance of its joint and several liability, notice of any Loans made under this Agreement, notice of any action at any time taken or omitted by the Lenders or the Administrative Agent under or in respect of any of such obligations, and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement. The Domestic Borrower and each Subsidiary Borrower (as applicable) hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of such obligations, the acceptance of any payment of any of such obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Lenders or the Administrative Agent at any time or times in respect of any default by either the Domestic Borrower or any Subsidiary Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by the Lenders or the Administrative Agent in respect of any of such obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such obligations or the addition, substitution or release, in whole or in part, of the Domestic Borrower or any Subsidiary Borrower. Without limiting the generality of the foregoing, all Borrowers assent to any other action or delay in acting or failure to act on the part of the Lenders or the Administrative Agent with respect to the failure by any other Borrower or any Guarantor to comply with any of its respective obligations, including any failure to strictly or diligently assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 9.15, afford grounds for terminating, discharging or relieving any of the Borrowers, in whole or in part, from any of its obligations under this Section 9.15 or Section 2.10, it being the intention of each of the Borrowers that, so long as any of such obligations hereunder remains unsatisfied, the obligations of the Borrowers under this Section 9.15 and Section 2.10 shall not be discharged except by performance and then only to the extent of such performance. Such obligations of each of the Borrowers under this Section 9.15 or Section 2.10 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, re-construction or similar proceeding with respect to any of the Borrowers, any Guarantor, any of the Lenders or the Administrative Agent. The joint and several liability of the Domestic Borrower and each Subsidiary Borrower to the extent provided for hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, membership, constitution or place of formation of any of the Borrowers, any Guarantor, any of the Lenders or the Administrative Agent.

(f) The provisions of this Section 9.15 are made for the benefit of the Lenders and the Administrative Agent and their successors and assigns, and may be enforced in good faith from time to time against the Borrowers as often as occasion therefor may arise and without any requirement on the part of the Lenders or the Administrative Agent first to marshal any of their claims or to exercise any of their rights against any other Borrower or any Guarantor, or to exhaust any remedies available to them against any other Borrower or any Guarantor, or to resort to any other source or means of obtaining payment of any of the obligations with respect to the Loans to Subsidiary Borrowers hereunder or to elect any other remedy. The provisions of this Section 9.15 shall remain in effect until all of such obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of such obligations, is rescinded or must otherwise be restored or returned by the Lenders upon the insolvency, bankruptcy or reorganization of any Borrower, or otherwise, the provisions of this Section 9.15 and Section 2.10 (if applicable) will forthwith be reinstated in effect, as though such payment had not been made.

SECTION 9.16 Possible Increase in Facility.

(a) The Borrowers shall have the right to request one increase in the maximum principal amount of Revolving Loans available hereunder, by an amount not in excess of \$7,500,000. Any such increase may be attributable to a voluntary agreement by one or more of the original Lenders to increase their Commitments and/or to any proposed addition of one or more new lenders (as "Lenders" hereunder). No consent of any Lender or the Administrative Agent will be required for an increase attributable to such a voluntary agreement by an original Lender. However, the consent of the Administrative Agent or the Required Lenders shall be required as to the identity of any such proposed new lender. Any such increase in the aggregate Commitments shall be effected pursuant to an amendment to this Agreement and supporting documentation, reasonably satisfactory to the Administrative Agent, which amendment will cause the Commitments and the Applicable Percentages to be adjusted in accordance with such new or additional Commitment(s). The Borrowers shall be responsible for all costs and expenses (including reasonable attorney's fees) of the Administrative Agent in connection with any such amendment.

(b) The effectiveness of any such amendment (and the increase in availability contemplated above) will, in addition to satisfaction of the requirements embodied in the foregoing paragraph (a), be dependent upon there being no outstanding Eurodollar Loans or Eurocurrency Loans, immediately prior to such effectiveness.

SECTION 9.17 Responsibility for Representations and Warranties, Affirmative Covenants and Negative Covenants.

Notwithstanding the literal language of the preambles to Articles III, V and VI, it is agreed that each of the Domestic Borrower, Gatton, any other Subsidiary Borrower and each Guarantor is and will be responsible thereunder only for itself and for its own subsidiaries. However, such responsibility of the Subsidiary Borrowers (including Gatton) and the Guarantors with respect to the matters covered in Article VI (other than in Section 6.10) will extend to the Subsidiary Borrowers and the Guarantors acting and refraining from acting consistently with the Domestic Borrower's obligations as to Subsidiaries which are Subsidiary Borrowers or Guarantors as are set forth in Article VI (except for Section 6.10).

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.      THE CHASE MANHATTAN BANK, as a  
Lender and as Administrative Agent

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name:                                  Name:  
Title:                                  Title:

GATTON VOLT CONSULTING GROUP      VOLT MANAGEMENT CORP.  
LIMITED

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name:                                  Name:

Title Title:

FLEET NATIONAL BANK, VOLT DELTA RESOURCES, INC.  
as a Lender

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:

BANK OF AMERICA, N.A., as a Lender DATANATIONAL, INC.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:

MELLON BANK, N.A., as a Lender VOLT-AUTOLOGIC DIRECTORIES S.A., LTD.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:

WELLS FARGO BANK, N.A., as a Lender VOLT HUMAN RESOURCES, INC.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:

LLOYD TSB BANK PLC, as a Lender VOLT INFORMATION SCIENCES  
FUNDING, INC.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Name: Name:  
Title: Title:

September 14, 2001

To the Stockholders  
Volt Information Sciences, Inc.

We are aware of 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 9, 1998 of Volt Information Sciences, Inc. of our report dated September 5, 2001, relating to the unaudited condensed consolidated interim financial statements of Volt Information Sciences, Inc. which are included in its Form 10-Q for the quarter ended August 5, 2001.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not part of the registration statements prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

Ernst & Young LLP

New York, New York

Exhibit 15.1

INDEPENDENT ACCOUNTANTS' REPORT ON REVIEW OF INTERIM  
FINANCIAL INFORMATION

To the Stockholder's  
Volt Information Sciences, Inc.

We have reviewed the accompanying unaudited condensed consolidated balance sheet of Volt Information Sciences, Inc. and subsidiaries as of August 5, 2001, and the related condensed consolidated statements of operations for the nine and three month periods ended August 5, 2001 and July 28, 2000, and the condensed consolidated statements of cash flows for the nine month periods ended August 5, 2001 and July 28, 2000. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to accounting data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Volt Information Sciences, Inc. as of November 3, 2000, and the related consolidated statements of income, stockholders equity and cash flows for the year then ended, not presented herein; and in our report dated December 20, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of November 3, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Ernst & Young LLP

September 5, 2001

Exhibit 15.2