

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 Six Months Ended May 2, 2004

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 (I.R.S. Employer  
incorporation or organization) 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

Indicate by check mark whether Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the Registrant's common stock, \$.10 par value, outstanding as of June 5, 2004 was 15,225,425.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES  
FORM 10-Q  
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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>

<CAPTION>

	Six Months Ended		Three Months Ended			
	May 2, 2004	May 4, 2003	May 2, 2004	May 4, 2003		
(In thousands, except per share data)						
<S> NET SALES	<C> \$ 889,923	<C> \$ 755,941	<C> \$ 477,242	<C> \$ 403,406		
COST AND EXPENSES:						
Cost of sales	833,657	715,024	444,027	379,018		
Selling and administrative	37,076	33,722	18,617	17,776		
Depreciation and amortization	12,370	11,636	6,215	5,893		
	883,103	760,382	468,859	402,687		
OPERATING PROFIT (LOSS)		6,820	(4,441)	8,383	719	
OTHER INCOME (EXPENSE):						
Interest income	431	480	202	298		
Other expense - net--Note B	(1,860)	(1,471)	(1,115)	(915)		
Foreign exchange loss - net--Note J	(70)	(90)	(94)	(175)		
Interest expense	(880)	(1,198)	(423)	(555)		
Income (loss) from continuing operations before income taxes		4,441	(6,720)	6,953	(628)	
Income tax (provision)benefit		(1,711)	2,485	(2,702)	196	
Income (loss) from continuing operations		2,730	(4,235)	4,251	(432)	
Discontinued operations-						
sale of real estate, net of taxes--Note H		9,520	--	9,520	--	
NET INCOME (LOSS)		\$ 12,250	(\$4,235)	\$ 13,771	(\$432)	

=====

Per Share Data

-----

Basic and Diluted:

Income (loss) from continuing operations per share	\$ 0.18	(\$0.28)	\$ 0.28	(\$0.03)
Discontinued operations-sale of real estate per share	0.62	--	0.62	--
Net income (loss) per share	\$ 0.80	(\$0.28)	\$ 0.90	(\$0.03)
<hr/>				
Weighted average number of shares-basic--Note G	15,223	15,217	15,224	15,217
<hr/>				
Weighted average number of shares-diluted--Note G	15,313	15,217	15,336	15,217
<hr/>				

</TABLE>

See accompanying notes to condensed consolidated financial statements.

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

<TABLE>  
<CAPTION>

	May 2, 2004	November 2, 2003 (a)	
	-----	-----	
ASSETS			
CURRENT ASSETS			(Dollars in thousands)
<S>	<C>	<C>	
Cash and cash equivalents including restricted cash of \$24,937 (2004) and \$18,870 (2003)--Note J	\$ 62,919	\$ 62,057	
Short-term investments	4,206	4,149	
Trade accounts receivable less allowances of \$8,381 (2004) and \$10,498 (2003) --Note B	367,794	313,946	
Inventories--Note C	31,937	37,357	
Recoverable income taxes		2,596	
Deferred income taxes	8,798	8,722	
Prepaid expenses and other assets	18,695	16,132	
	-----	-----	
TOTAL CURRENT ASSETS		494,349	444,959
Investment in securities	196	193	
Property, plant and equipment-net--Notes E and H		82,663	82,452
Deposits and other assets	1,313	2,107	
Intangible assets-net of accumulated amortization of \$982 (2004) and \$1,349 (2003)--Note K	8,982	8,982	
	-----	-----	
TOTAL ASSETS		\$ 587,503	\$ 538,693
<hr/>			

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Notes payable to banks--Note D	\$ 3,997	\$ 4,062	
Current portion of long-term debt--Note E	386	371	
Accounts payable	168,662	153,979	
Accrued wages and commissions	48,038	45,834	
Accrued taxes other than income taxes	19,097	16,741	
Other accruals	23,826	14,673	
Deferred income and other liabilities	33,929	27,665	
Income taxes payable	2,266	--	
	-----	-----	
TOTAL CURRENT LIABILITIES		300,201	263,325

Accrued insurance--Note L	4,012	4,098		
Long-term debt--Note E	13,901	14,098		
Deferred income taxes	15,198	15,252		
STOCKHOLDERS' EQUITY--Notes B, D and F				
Preferred stock, par value \$1.00; Authorized--500,000 shares; issued--none				
Common stock, par value \$.10; Authorized--30,000,000 shares; issued--15,225,425 shares	1,522	1,522		
Paid-in capital	41,191	41,091		
Retained earnings	211,973	199,723		
Accumulated other comprehensive loss		(495)	(416)	
TOTAL STOCKHOLDERS' EQUITY		254,191	241,920	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			\$ 587,503	\$ 538,693

</TABLE>

(a) The balance sheet at November 2, 2003 has been derived from the audited financial statements at that date.

See accompanying notes to condensed consolidated financial statements.

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

<TABLE>  
<CAPTION>

	Six Months Ended			
	May 2, 2004	May 4, 2003		
	-----	-----		
	(In thousands)			
CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES				
<S>	<C>	<C>		
Net income (loss)	\$ 12,250	(\$ 4,235)		
Adjustments to reconcile net income (loss) to cash (applied to) provided by operating activities:				
Income from discontinued operations-sale of real estate		(9,520)		
Depreciation and amortization	12,370	11,636		
Accounts receivable provisions	1,815	2,678		
Gain on foreign currency translation	(13)	(24)		
Deferred income tax benefit	(96)	(157)		
(Gain) loss on disposition of fixed assets	(114)	114		
Changes in operating assets and liabilities:				
Increase in accounts receivable	(35,222)	(1,450)		
Reduction in securitization of accounts receivable		(20,000)		
Decrease (increase) in inventories	5,420	(4,110)		
Increase in prepaid expenses and other current assets		(2,366)	(2,622)	
Decrease in other assets	794	239		
Increase in accounts payable	14,382	2,244		
Increase (decrease) in accrued expenses	13,356	(223)		
Increase in deferred income and other liabilities	5,726	12,081		
Increase (decrease) in income taxes payable	266	(3,603)		
NET CASH (APPLIED TO) PROVIDED BY OPERATING ACTIVITIES			(952)	12,568

</TABLE>

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

<TABLE>  
<CAPTION>

	Six Months Ended			
	May 2, 2004	May 4, 2003		
	(In thousands)			
<b>CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES</b>				
<S>	<C>	<C>		
Sales of investments	\$ 916	\$ 502		
Purchases of investments	(881)	(446)		
Proceeds from disposals of property, plant and equipment		147	71	
Proceeds from sale of real estate (discontinued operations)		18,500		
Purchases of property, plant and equipment		(16,822)	(9,475)	
Other	-	(48)		
	----	-----		
<b>NET CASH PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES</b>			<b>1,860</b>	<b>(9,396)</b>
	----	-----		
<b>CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES</b>				
Payment of long-term debt		(182)	(1,350)	
Exercise of stock options		100		
(Decrease) increase in notes payable to bank		(158)	1,856	
	----	-----		
<b>NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES</b>			<b>(240)</b>	<b>506</b>
	----	-----		
Effect of exchange rate changes on cash		194	(174)	
	----	-----		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			<b>862</b>	<b>3,504</b>
Cash and cash equivalents, including restricted cash, beginning of period	62,057	43,620		
	-----	-----		
<b>CASH AND CASH EQUIVALENTS, INCLUDING RESTRICTED CASH END OF PERIOD</b>			<b>\$ 62,919</b>	<b>\$ 47,124</b>
	=====	=====		
<b>SUPPLEMENTAL INFORMATION Cash paid during the period:</b>				
Interest expense	\$ 883	\$ 1,255		
Income taxes	\$ 1,700	\$ 1,390		

</TABLE>

See accompanying notes to condensed consolidated financial statements.

**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 generally accepted accounting principles 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 May 2, 2004 and consolidated results of operations for the six and three months ended May 2, 2004 and May 4, 2003 and consolidated cash flows for the six months ended May 2, 2004 and May 4, 2003. Operating results for interim periods are not necessarily indicative of the results that may be expected for the fiscal year.

The Company has elected to follow APB Opinion 25, "Accounting for Stock Issued to Employees," to account for its Non-Qualified Stock Option Plan under which no compensation cost is recognized because the option exercise price is equal to at least the market price of the underlying stock on the date of grant. Had compensation cost for these plans been determined at the grant dates for awards under the alternative accounting method provided for in SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," net income and earnings per share, on a pro forma basis, would have been:

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended		
	May 2, 2004	May 4, 2003	May 2, 2004	May 4, 2003	
(Dollars in thousands, except per share data)					
	<C>	<C>	<C>	<C>	
Net income (loss) as reported		\$12,250	(\$4,235)	\$13,771	(\$432)
Pro forma compensation expense, net of taxes		(71)	(98)	(32)	(44)
Pro forma net income (loss)		\$12,179	(\$4,333)	\$13,739	(\$476)
Pro forma income (loss) per share					
Basic	\$0.80	(\$0.28)	\$0.90	(\$0.03)	
Diluted	\$0.79	(\$0.28)	\$0.89	(\$0.03)	

</TABLE>

The fair value of each option grant is estimated using the Multiple Black-Scholes option pricing model, with the following weighted-average assumptions used for grants in fiscal 2004 and 2003, respectively: risk-free interest rates of 2.5% and 2.0%, respectively; expected volatility of .51 and .50, respectively; an expected life of the options of five years; and no dividends. The weighted average fair value of stock options granted during fiscal years 2004 and 2003 were \$11.49 and \$5.93, respectively.

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 year ended November 2, 2003. The accounting policies used in preparing these financial statements are the same as those described in that Report. The Company's fiscal year ends on the Sunday nearest October 31.

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

Note B--Securitization Program

Effective April 15, 2002, the Company entered into a \$100.0 million, three-year accounts receivable securitization program ("Securitization Program"). In April 2004, the Company amended its Securitization Program which increased the capacity of its accounts receivable securitization program to \$150.0 million and extended its maturity to April 2006. Under the Securitization Program, receivables related to the United States operations of the staffing solutions business of the Company and its subsidiaries are sold from time-to-time by the Company to Volt Funding Corp., a wholly owned special purpose subsidiary of the Company ("Volt Funding"). Volt Funding, in turn, sells to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A. and unaffiliated with the Company, an undivided percentage ownership interest in the pool of receivables Volt Funding acquires from the Company (subject to a maximum purchase by TRFCO in the aggregate of \$150.0 million). The Company retains the servicing responsibility for the accounts receivable. At May 2, 2004, TRFCO had purchased from Volt Funding a participation interest of \$50.0 million out of a pool of approximately \$218.2 million of receivables.

The Securitization Program is not an off-balance sheet arrangement as Volt Funding is a 100% owned consolidated subsidiary of the Company. Accounts receivable are only reduced to reflect the fair value of receivables actually sold. The Company entered into this arrangement as it provided a low-cost alternative to other financing.

The Securitization Program is designed to enable receivables sold by the Company to Volt Funding to constitute true sales of those receivables. As a result, the receivables are available to satisfy Volt Funding's own obligations to its own creditors before being available, through the Company's residual equity interest in Volt Funding, to satisfy the Company's creditors. TRFCO has no recourse to the Company (beyond its interest in the pool of receivables owned by Volt Funding) for any of the sold receivables.

In the event of termination of the Securitization Program, new purchases of a participation interest in receivables by TRFCO would cease and collections reflecting TRFCO's interest would revert to it. The Company believes TRFCO's aggregate collection amounts should not exceed the pro rata interests sold. There are no contingent liabilities or commitments associated with the Securitization Program.

The Company accounts for the securitization of accounts receivable in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." At the time a participation interest in the receivables is sold, the receivable representing that interest is removed from the condensed consolidated balance sheet (no debt is recorded) and the proceeds from the sale are reflected as cash provided by operating activities. Losses and expenses associated with the transactions, primarily related to discounts on TRFCO's commercial paper, are charged to the consolidated statement of operations.

The Company incurred charges, related to the Securitization Program, of \$0.9 million and \$0.6 million in the six and three months ended May 2, 2004, respectively, compared to \$0.7 million and \$0.4 million in the six and three months ended May 4, 2003, which are included in Other Expense on the condensed consolidated statement of operations. The equivalent cost of funds in the Securitization Program was 2.9% and 2.5% per annum in the six-month 2004 and 2003 fiscal periods, respectively. The Company's carrying retained interest in the receivables approximated fair value due to the relatively short-term nature of the receivable collection period. In addition, the Company performs sensitivity analyses, changing various key assumptions, which also indicate the retained interest in receivables approximated fair value.

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

Note B--Securitization Program--Continued

At May 2, 2004 and November 2, 2003, the Company's carrying retained interest in a revolving pool of receivables of approximately \$218.2 million and \$189.3 million, respectively, net of a service fee liability, was approximately \$167.8 million and \$119.0 million, respectively. The outstanding balance of the undivided interest sold to TRFCO was \$50.0 million and \$70.0 million at May 2, 2004 and November 2, 2003, respectively. Accordingly, the trade accounts receivable included on the May 2, 2004 and November 2, 2003 condensed consolidated balance sheets have been reduced to reflect the participation interest sold of \$50.0 million and \$70.0 million, respectively.

The Securitization Program is subject to termination at TRFCO's option, under certain circumstances, including the default rate, as defined, on receivables exceeding a specified threshold, the rate of collections on receivables failing to meet a specified threshold or the Company failing to maintain a long-term debt rating of "B" or better, or the equivalent thereof from a nationally recognized rating organization. At May 2, 2004, the Company was in compliance with all requirements of the Securitization Program and believes it will remain in compliance throughout the remainder of the fiscal year.

Note C--Inventories

Inventories of accumulated unbilled costs and materials by segment are as follows:

	May 2, 2004	November 2, 2003
	-----	-----
	(In thousands)	
Staffing Services	\$ 148	
Telephone Directory	13,052	\$12,898
Telecommunications Services	15,600	18,320
Computer Systems	3,137	6,139
	-----	-----
Total	\$31,937	\$37,357
	=====	=====

The cumulative amounts billed under service contracts at May 2, 2004 and November 2, 2003 of \$9.0 million and \$3.6 million, respectively, are credited against the related costs in inventory.

#### Note D--Short-Term Borrowings

At May 2, 2004, the Company had credit lines with domestic and foreign banks which provided for borrowings and letters of credit up to an aggregate of \$41.3 million, including \$30.0 million under a secured, syndicated revolving credit agreement, which will expire in April 2005. In April 2004, the Company amended its \$40.0 million, secured, syndicated, revolving credit agreement ("Credit Agreement") which expired in April 2004, to, among other things, extend the term for 364 days and reduce the line to \$30.0 million, as a result of the increase in its Securitization Program (see Note B).

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

##### Note D--Short-Term Borrowings--Continued

The Credit Agreement established a credit facility ("Credit Facility") in favor of the Company and designated subsidiaries, of which up to \$15.0 million may be used for letters of credit. Borrowings by subsidiaries are limited to \$25.0 million in the aggregate. The administrative agent arranger for the secured Credit Facility is JP Morgan Chase Bank. The other banks participating in the Credit Facility are Mellon Bank, NA, Wells Fargo, N. A. and Lloyds TSB Bank PLC. Borrowings and letters of credit under the Credit Facility are limited to a specified borrowing base, which is based upon the level of specified receivables, generally at the end of the fiscal month preceding a borrowing. At May 2, 2004, the entire \$30.0 million was available. Borrowings under the Credit Facility are to bear interest at various rate options selected by the Company at the time of each borrowing. Certain rate options, together with a facility fee, are based on a leverage ratio, as defined. Additionally, interest and the facility fees can be increased or decreased upon a change in the Company's long-term debt rating provided by a nationally recognized rating agency. Based upon the Company's leverage ratio and debt rating at May 2, 2004, if a three-month LIBO rate was the interest rate option selected by the Company, borrowings would have borne interest at the rate of 2.7% per annum. At May 2, 2004, the facility fee was 0.3% per annum.

The Credit Agreement provides for the maintenance of various financial ratios and covenants, including, among other things, a requirement that the Company maintain a consolidated tangible net worth, as defined, of \$220.0 million; a limitation on cash dividends, capital stock repurchases and redemptions by the Company in any one fiscal year to 50% of consolidated net income, as defined, for the prior fiscal year; and a requirement that the Company maintain a ratio of EBIT, as defined, to interest expense, as defined, of 1.25 to 1.0 for the twelve months ending as of the last day of each fiscal quarter. The Credit Agreement also imposes limitations on, among other things, the incurrence of additional indebtedness, the incurrence of additional liens, sales of assets, the level of annual capital expenditures, and the amount of investments, including business acquisitions and investments in joint ventures, and loans that may be made by the Company and its subsidiaries. At May 2, 2004, the



Company was in compliance with all covenants in the Credit Agreement and believes it will be in compliance throughout the remainder of the fiscal year.

The Company is liable on all loans made to it and all letters of credit issued at its request, and is jointly and severally liable as to loans made to subsidiary borrowers. However, unless also a guarantor of loans, a subsidiary borrower is not liable with respect to loans made to the Company or letters of credit issued at the request of the Company, or with regard to loans made to any other subsidiary borrower. Seven subsidiaries of the Company are guarantors of all loans made to the Company or to subsidiary borrowers under the Credit Facility. At May 2, 2004, five of those guarantors have pledged approximately \$61.5 million of accounts receivable, other than those in the Securitization Program, as collateral for the guarantee obligations. Under certain circumstances, other subsidiaries of the Company also may be required to become guarantors under the Credit Facility.

At May 2, 2004, the Company had total outstanding bank borrowings of \$4.0 million, none of which were under the Credit Agreement. These outstanding foreign currency bank borrowings provide a hedge against devaluation in foreign currency denominated assets.

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

Note E--Long-Term Debt

Long-term debt consists of the following:

	May 2, 2004	November 2, 2003
	-----	-----
	(In thousands)	
Term loan (a)	\$14,287	\$14,469
Less amounts due within one year	386	371
	-----	-----
Total long-term debt	\$13,901	\$14,098
	=====	=====

(a) In September 2001, a subsidiary of the Company entered into a \$15.1 million loan agreement with General Electric Capital Business Asset Funding Corporation. The 20-year loan, which bears interest at 8.2% per annum and requires principal and interest payments of \$0.4 million per quarter, is secured by a deed of trust on certain land and buildings that had a carrying amount at May 2, 2004 of \$10.8 million. The obligation is guaranteed by the Company.

Note F--Stockholders' Equity

Changes in the major components of stockholders' equity for the six months ended May 2, 2004 are as follows:

<TABLE>  
<CAPTION>

	Common Stock	Paid-In Capital	Retained Earnings
	-----	-----	-----
	(In thousands)		
	<C>	<C>	<C>
Balance at November 2, 2003		\$1,522	\$41,091
Stock options exercised - 5,010 shares			100
Net income for the six months		--	12,250
	-----	-----	-----
Balance at May 2, 2004		\$1,522	\$41,191
	=====	=====	=====

</TABLE>

Another component of stockholders' equity, the accumulated other comprehensive loss, consists of cumulative unrealized foreign currency translation losses, net of taxes, of \$589,000 and \$508,000 at May 2, 2004 and November 2, 2003, respectively, and an unrealized gain, net of taxes, of \$94,000 and \$92,000 in marketable securities at May 2, 2004 and November 2, 2003, respectively. Changes in these items, net of income taxes, are included in the calculation of comprehensive loss as follows:

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended	
	May 2, 2004	May 4, 2003	May 2, 2004	May 4, 2003
	(In thousands)			
	<C>	<C>	<C>	<C>
Net income (loss)	\$12,250	(\$4,235)	\$13,771	(\$432)
Foreign currency translation adjustments-net		(81)	102	(121)
Unrealized gain on marketable securities-net		2	7	12
Total comprehensive income (loss)	\$12,171	(\$4,126)	\$13,667	(\$357)

</TABLE>

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

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 based on the treasury stock method.

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended	
	May 2, 2004	May 4, 2003	May 2, 2004	May 4, 2003
	<C>	<C>	<C>	<C>
Denominator for basic earnings per share:				
Weighted average number of shares	15,222,586	15,217,415	15,223,545	15,217,415
Effect of dilutive securities:				
Employee stock options	90,578	--	112,259	--
Denominator for diluted earnings per share:				
Adjusted weighted average number of shares	15,313,164	15,217,415	15,335,804	15,217,415

</TABLE>

Options to purchase 102,050 and 592,730 shares of the Company's common stock were outstanding at May 2, 2004 and May 4, 2003, respectively but were not included in the computation of diluted earnings per share because the effect of inclusion would have been antidilutive.

Note H--Discontinued Operations

In March 2004, the Company sold real estate, previously leased by the Company to its former 59% owned subsidiary, Autologic Information International, Inc., which interest was sold in November 2001. The cash transaction resulted in a \$9.5 million gain, net of taxes of \$4.6 million.

Note I--Segment Disclosures

Financial data concerning the Company's sales and segment operating profit (loss) by reportable operating segment for the six and three months ended May 2, 2004 and May 4, 2003, included on page 25 of this Report, is an integral part of these condensed consolidated financial statements. During the six months ended May 2, 2004, consolidated assets increased by \$48.8 million, primarily due to an increase in receivables of the Staffing Services segment and a reduction in the use of Company's Securitization Program as well as capital expenditures by the Computer Services segment.

#### Note J--Derivative Financial Instruments, Hedging and Restricted Cash

The Company enters into derivative financial instruments only for hedging purposes. All derivative financial instruments, such as interest rate swap contracts, foreign currency options and exchange contracts, are recognized 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 income or in stockholders' equity as a component of comprehensive income, depending on whether the derivative financial

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

#### Note J--Derivative Financial Instruments, Hedging and Restricted Cash--Continued

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 income 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. At May 2, 2004, the Company had outstanding foreign currency option and forward contracts in the aggregate notional amount equivalent to \$8.3 million, which approximated its net investment in foreign operations and is accounted for as a hedge under SFAS No. 52.

Included in cash and cash equivalents at May 2, 2004 and November 2, 2003 were approximately \$24.9 million and \$18.9 million, respectively, restricted to cover obligations that were reflected in accounts payable at such dates. These amounts primarily relate to certain contracts with customers in which the Company manages the customers' alternative staffing requirements, including the payment of associate vendors.

#### Note K--Goodwill

Goodwill and other intangibles with indefinite lives are no longer amortized, but are subject to annual testing using fair value methodology. An impairment charge is recognized for the amount, if any, by which the carrying value of an intangible asset exceeds its fair value. In the second quarter of fiscal 2002, the Company has engaged independent valuation firms and since then, on an annual basis, has used Company personnel to perform such testing. The testing primarily uses comparable multiples of sales and EBITDA and other valuation methods to assist the Company in the determination of the fair value of the reporting units measured.

Using the same valuation methods employed as in prior years, the Company completed its annual impairment tests on the remaining \$9.0 million of goodwill during the second quarter of fiscal 2004 and determined that no impairment existed, since its fair value exceeded the carrying value.

#### Note L--Primary Insurance Casualty Program

The Company is insured with a highly rated insurance company under a program that provides primary workers' compensation, employer's liability, general liability and automobile liability insurance under a loss sensitive program. In certain mandated states, the Company purchases workers' compensation insurance

through participation in state funds and the experience-rated premiums in these state plans relieve the Company of additional liability. In the loss sensitive program, initial premium accruals are established based upon the underlying exposure, such as the amount and type of labor utilized, number of vehicles, etc. The Company establishes accruals utilizing actuarial methods to estimate the undiscounted future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. This process also includes establishing loss development factors, based on the historical claims experience of the Company and the industry, and applying those factors to current claims information to derive an estimate of the Company's ultimate premium liability. In preparing the estimates, the Company also considers the nature and severity of the claims, analyses provided by third party actuaries, as well as current legal, economic and regulatory factors.

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

Note L--Primary Insurance Casualty Program--Continued

The insurance policies have various premium rating plans that establish the ultimate premium to be paid. Prior to March 31, 2002, the amount of the additional or return premium was finalized. Subsequent thereto, adjustments to premium will be made based upon the level of claims incurred at a future date up to three years after the end of the respective policy period. For the policy year ended March 31, 2003, a maximum premium has been predetermined and accrued.

At May 2, 2004 and November 2, 2003, the Company's prepayment or (liability) for each of the outstanding policy years was as follows:

May 2, 2004	November 2, 2003
-----	-----

(In thousands)

Policy ended March 31, 2003	(\$4,289)	(\$4,288)
Policy ended March 31, 2004	(4,339)	2,526
Policy ended March 31, 2005	4,384	--
	-----	-----
	(\$4,244)	(\$1,762)
	=====	=====

Balance Sheet Classification:

Prepaid Insurance	\$ 4,384	\$ 2,526
Accrued Insurance - Current	(4,616)	(190)
Accrued Insurance - Long-term	(4,012)	(4,098)
	-----	-----
	(\$4,244)	(\$1,762)
	=====	=====

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

Forward-Looking Statements Disclosure

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This report and other reports and statements issued by the Company and its officers from time-to-time contain certain "forward-looking statements." Words such as "may," "should," "could," "seek," "believe," "expect," "anticipate," "estimate," "project," "intend," "strategy," "likely," and similar expressions are intended to identify forward-looking statements about the Company's future plans, objectives, performance, intentions and expectations. These forward-looking statements are subject to a number of known and unknown risks and uncertainties including, but are not limited to, those set forth below under "Factors That May Affect Future Results," as well as the following:

- o variations in the rate of unemployment and higher wages sought by temporary workers in certain technical fields particularly characterized by labor shortages, which could affect the Company's ability to meet its customers' demands and the Company's profit margins;
- o the adverse effect of customers and potential customers moving manufacturing and servicing operations off-shore, reducing their need for temporary workers;
- o the ability of the Company to diversify its available temporary personnel to offer greater support to the service sector of the economy;
- o changes in customers' attitudes toward the use of outsourcing and temporary personnel;
- o intense price competition and pressure on margins;
- o the Company's ability to meet competition in its highly competitive markets with minimal impact on margins;
- 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 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 the degree and effects of inclement weather; and
- o the Company's ability to maintain a sufficient credit rating to enable it to continue its securitization program and ability to maintain its existing credit rating in order to avoid any increase in interest rates and any increase in fees under its revolving credit facility, as well as to comply with the financial and other covenants applicable under its credit facility and other borrowing instruments.

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

Forward-Looking Statements Disclosure--Continued

Such risks and uncertainties could cause the Company's actual results, performance and achievements to differ materially from those described in or implied by the forward-looking statements. Accordingly, readers should not place undue reliance on any forward-looking statements made by or on behalf of the Company. The Company does not assume any obligation to update any forward-looking statements after the date they are made.

FACTORS THAT MAY AFFECT FUTURE RESULTS

THE COMPANY'S BUSINESS IS DEPENDENT UPON GENERAL ECONOMIC, COMPETITIVE AND OTHER BUSINESS CONDITIONS INCLUDING THE EFFECTS OF WEAKENED UNITED STATES AND EUROPEAN ECONOMIES.

The demand for the Company's services in all segments is dependent upon economic conditions. Accordingly, the Company's business tends to suffer during economic downturns. The Company's business is dependent upon the continued financial strength of its customers. Certain of the Company's customers have announced layoffs, unfavorable financial results, investigations by government agencies

and lowered financial expectations for the near term. Customers that experience any of these events are less likely to use the Company's services.

In the staffing services segment, a weakened economy or a material increase in productivity results in decreased demand for temporary and permanent personnel. As economic activity slows down, many of the Company's customers reduce their use of temporary employees before they reduce the number of their regular employees. There is less need for contingent workers at all potential customers, who are less inclined to add to their costs. Since employees are reluctant to risk changing employers, there are fewer openings and reduced activity in permanent placements as well. The segment has also experienced margin erosion caused by increased competition, electronic auctions and customers leveraging their buying power by consolidating the number of vendors with whom they deal. Customer use of the Company's telecommunications services is similarly affected in that some of the Company's customers reduce their use of outside services in order to provide work to their in-house departments and, in the aggregate, because of the current downturn in the telecommunications industry and continued overcapacity, there is less available work.

The reduction in telecommunications companies' capital expenditure projects has significantly reduced the segment's sales and minimal improvement can be expected until the industry begins to increase its capital expenditures.

Additionally, 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, could adversely affect the Company's businesses.

MANY OF THE COMPANY'S CONTRACTS EITHER PROVIDE NO MINIMUM PURCHASE REQUIREMENTS OR ARE CANCELABLE DURING THE TERM.

In all segments, the Company's contracts, even those master service contracts whose duration spans a number of years, provide no assurance of any minimum amount of work that will actually be available under any contract.

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

##### Forward-Looking Statements Disclosure--Continued

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In addition, many of the segments' long-term contracts contain cancellation provisions under which the customer can cancel the contract, even if the segment is not in default under the contract. Therefore, these contracts do not give the assurances that long-term contracts typically provide.

#### THE COMPANY'S STAFFING SERVICES BUSINESS SUBJECTS IT TO EMPLOYMENT-RELATED CLAIMS.

The Company's staffing services business employs individuals on a temporary basis and places them in a customer's workplace. The Company's ability to control the workplace is limited, and the Company risks incurring liability to its employees for injury or other harm that they suffer at the customer's workplace.

Additionally, the Company risks liability to its customers for the actions of the Company's temporary employees that result in harm to the Company's customers. Such actions may be the result of negligence or misconduct on the part of the Company's employees.

The Company may incur fines or other losses and negative publicity with respect to any litigation in which it becomes involved. Although the Company maintains insurance for many such actions, there can be no assurance that its insurance will cover future actions or that the Company will continue to be able to obtain such insurance on acceptable terms, if at all.

#### POSSIBLE NEW AND INCREASED GOVERNMENT REGULATION COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

The Company's businesses are subject to licensing in many states and licensing

and regulation in certain foreign jurisdictions. Although the Company has not had any difficulty complying with these requirements in the past, there can be no assurance that the Company will continue to be able to do so, or that the cost of compliance will not become material. Additionally, the jurisdictions in which we do or intend to do business may:

- o create new or additional regulations that prohibit or restrict the types of services that we currently provide;
- o impose new or additional employee benefit requirements, thereby increasing costs that could adversely impact the Company's ability to conduct its business;
- o require the Company to obtain additional licenses to provide its services;  
or
- o increase taxes or enact new or different taxes payable by the providers of services such as those offered by the Company, some of which may not be able to be passed on to customers.

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

### Forward-Looking Statements Disclosure--Continued

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#### THE COMPANY IS DEPENDENT UPON ITS ABILITY TO ATTRACT AND RETAIN CERTAIN TECHNOLOGICALLY QUALIFIED PERSONNEL.

The Company's future success is dependent upon its ability to attract and retain certain classifications of technologically qualified personnel for its own use, particularly in the areas of research and development, implementation and upgrading of internal systems, as well as in its staffing services segment. The availability of such personnel is dependent upon a number of economic and demographic conditions. The Company may in the future find it difficult to hire such personnel in the face of competition from other companies in different industries who are capable of offering higher compensation.

#### ALL OF THE INDUSTRIES IN WHICH THE COMPANY DOES BUSINESS ARE VERY COMPETITIVE, WHICH COULD ADVERSELY AFFECT THE RESULTS OF THOSE BUSINESSES.

The Company operates in very competitive industries with, in most cases, limited barriers to entry. Some of the Company's principal competitors are larger and have substantially greater financial resources than Volt. Accordingly, these competitors may be better able than Volt to attract and retain qualified personnel and may be able to offer their customers more favorable pricing terms than the Company. In many businesses, small competitors can offer similar services at lower prices because of lower overheads. In addition to these general statements, the following information applies to the specific segments identified.

The Company's staffing services segment is in a very competitive industry with limited barriers to entry. There are many temporary service firms in the United States and Europe, many with only one or a few offices that service only a small market. On the other hand, some of this segment's principal competitors are larger and have substantially greater financial resources than Volt and service the national accounts whose business the Company solicits. Accordingly, these competitors may be better able than Volt to attract and retain qualified personnel and may be able to offer their customers more favorable pricing terms than the Company. Furthermore, all of the staffing industry is subject to the fact that contingent workers are provided to customers and most customers are more protective of their full time workforce than of contingent workers.

The results of the Company's computer systems segment are highly dependent on the volume of directory assistance calls to VoltDelta's customers which are routed to the segment under existing contracts, the segment's ability to continue to secure comprehensive listings from others at acceptable pricing, its ability to obtain additional customers for these services and on its continued ability to sell products and services to new and existing customers. This

segment's position in its market depends largely upon its reputation, quality of service and ability to develop, maintain and implement information systems on a cost competitive basis. Although Volt continues its investment in research and development, there is no assurance that this segment's present or future products will be competitive, that the segment will continue to develop new products or that present products or new products can be successfully marketed.

The Company's telecommunications services segment faces substantial competition with respect to all of its telecommunications services from other suppliers and from in-house capabilities of present and potential customers. Since many of our customers provide the same type of services as the segment, the segment faces competition from its own customers and potential customers as well as from third parties. Some of this

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

### Forward-Looking Statements Disclosure--Continued

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segment's significant competitors are larger and have substantially greater financial resources than Volt. There are relatively few significant barriers to entry into certain of the markets in which the segment operates, and many competitors are small, local companies that generally have lower overhead. Volt's ability to compete in this segment depends upon its reputation, technical capabilities, pricing, quality of service and ability to meet customer requirements in a timely manner. Volt believes that its competitive position in this segment is augmented by its ability to draw upon the expertise and resources of other Volt segments.

THE COMPANY'S STOCK PRICE COULD BE EXTREMELY VOLATILE AND, AS A RESULT, INVESTORS MAY NOT BE ABLE TO RESELL THEIR SHARES AT OR ABOVE THE PRICE THEY PAID FOR THEM.

Among the factors that could affect the Company's stock price are:

- o while the Company's stock is traded on the New York Stock Exchange, there is limited float, and a relatively low average daily trading volume;
- o industry trends and the business success of the Company's customers;
- o loss of a key customer;
- o fluctuations in the Company's results of operations;
- o the Company's failure to meet the expectations of the investment community and changes in investment community recommendations or estimates of the Company's future results of operations;
- o strategic moves by the Company's competitors, such as product announcements or acquisitions;
- o regulatory developments;
- o litigation;
- o general market conditions; and
- o other domestic and international macroeconomic factors unrelated to our performance.

The stock market has recently experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Company's common stock.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. If a



securities class action suit is filed against us, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business in order to respond to the litigation.

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

Forward-Looking Statements Disclosure--Continued  
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THE COMPANY'S PRINCIPAL STOCKHOLDERS AND MEMBERS OF THEIR FAMILIES OWN A SIGNIFICANT PERCENTAGE OF THE COMPANY AND WILL BE ABLE TO EXERCISE SIGNIFICANT INFLUENCE OVER THE COMPANY AND THEIR INTERESTS MAY DIFFER FROM THOSE OF OTHER STOCKHOLDERS.

As of May 2, 2004, the Company's principal officers controlled approximately 47% of the Company's outstanding common stock. Accordingly, these stockholders are able to control the composition of the Company's board of directors and many other matters requiring shareholder approval and will continue to have significant influence over the Company's affairs. This concentration of ownership also could have the effect of delaying or preventing a change in control of the Company or otherwise discouraging a potential acquirer from attempting to obtain control of the Company.

Critical Accounting Policies  
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Management's discussion and analysis of its financial position and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates, judgments, assumptions and valuations that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. Future reported results of operations could be impacted if the Company's estimates, judgments, assumptions or valuations made in earlier periods prove to be wrong. Management believes the critical accounting policies and areas that require the most significant estimates, judgments, assumptions or valuations used in the preparation of the Company's financial statements are as follows:

Revenue Recognition - The Company derives its revenues from several sources. The revenue recognition methods, which are consistent with those prescribed in Staff Accounting Bulletin 104 ("SAB 104"), entitled "Revenue Recognition in Financial Statements," are described below in more detail for the significant types of revenue within each of its segments.

Staffing Services:

Staffing: In the first six months of fiscal 2004, this revenue comprised approximately 77% of net consolidated sales. Sales are derived from the Company's Staffing Solutions Group supplying its own temporary personnel to its customers, for which the Company assumes the risk of acceptability of its employees to its customers, and has credit risk for collecting its billings after it has paid its employees. The Company reflects revenues for these services on a gross basis in the period the services are rendered.

Managed Services: In the first six months of fiscal 2004, this revenue comprised approximately 2% of net consolidated sales. Sales are generated by the Company's E-Procurement Solutions' subsidiary, ProcureStaff, and for certain contracts, sales are generated by the Company's Staffing Solutions Group's managed services operations. The Company receives an administrative fee for arranging for, billing for and collecting the billings related to other staffing companies ("associate vendors") who have supplied personnel to the Company's customers. The administrative fee is either charged to the customer or subtracted from the Company payment to the associate vendor. The customer is typically responsible for assessing the work of the associate vendor, who has responsibility for the acceptability of its personnel to the customer, and in most instances the customer and associate vendor have agreed to the Company not paying the associate vendor until the customer

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

Critical Accounting Policies--Continued

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Company. Based upon the revenue recognition principles prescribed in Emerging Issues Task Force 99-19 ("EITF 99-19"), entitled "Reporting Revenue Gross as a Principal versus Net as an Agent", revenue for these services, where the customer and the associate vendor have agreed to this arrangement, is recognized net of associated costs in the period the services are rendered.

Outsourced Projects: In the first six months of fiscal 2004, this revenue comprised approximately 5% of net consolidated sales. Sales are derived from the Company's Information Technology Solutions operation providing outsource services for a customer in the form of project work, for which the Company is responsible for deliverables. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the services are rendered, and when the Company is responsible for project completion, revenue is recognized when the project is complete and the customer has approved the work.

Shaw & Shaw: In the first six months of fiscal 2004, this revenue comprised approximately 1% of net consolidated sales, due to the Company's reporting of these revenues on a net basis. Sales are generated by the Company's Shaw & Shaw subsidiary, for which the Company provides professional employer organizational services ("PEO") to certain customers. Generally, the customers transfer their entire workforce or employees of specific departments or divisions to the Company, but the customers maintain control over the day-to-day job duties of the employees. Based upon the revenue recognition principles prescribed in EITF 99-19, effective with the Company's second fiscal quarter of 2003, the Company has changed its method of reporting revenue from these services from a gross basis to a net basis. The change in reporting, which is reflected in all current and prior periods, resulted in a reduction in both reported PEO revenues and related costs of sales, with no effect on the Company's operating results.

Telephone Directory:

Directory Publishing: In the first six months of fiscal 2004, this revenue comprised approximately 2% of net consolidated sales. Sales are derived from the Company's sales of telephone directory advertising for books it publishes as an independent publisher or for a telephone company in Uruguay. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the books are printed and delivered.

Ad Production: In the first six months of fiscal 2004, this revenue comprised approximately 1% of net consolidated sales. Sales are generated when the Company performs design and production services, and database management for other publishers' telephone directories. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period the Company has completed its ad production work and upon customer acceptance.

Telecommunications Services:

Construction: In the first six months of fiscal 2004, this revenue comprised approximately 3% of net consolidated sales. Sales are derived from the Company supplying aerial and underground construction services related to telecommunications and cable operations. The Company's employees perform the services, and the Company takes title to all inventory, and has credit risk for collecting its billings. The Company relies upon the principles in Statement of Position 81-1 ("SOP 81-1"), entitled "Accounting for

Performance of Construction-Type Contracts," using the completed-contract method, to recognize revenue on a gross basis upon customer acceptance of the project.

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

### Critical Accounting Policies--Continued

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**Non-Construction:** In the first six months of fiscal 2004, this revenue comprised approximately 4% of net consolidated sales. Sales are derived from the Company performing design, engineering and business systems integrations work. The Company's employees perform the services and the Company has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period in which services are performed, and if applicable, any completed units are delivered and accepted by the customer.

#### Computer Systems:

**Database Access:** In the first six months of fiscal 2004, this revenue comprised approximately 3% of net consolidated sales. Sales are derived from the Company granting access to its proprietary telephone listing databases to telephone companies, inter-exchange carriers and non-telco enterprise customers. The Company uses its own databases and has credit risk for collecting its billings. The Company recognizes revenue on a gross basis in the period in which the customers access the Company's databases.

**IT Maintenance:** In the first six months of fiscal 2004, this revenue comprised approximately 2% of net consolidated sales. Sales are derived from the Company providing hardware maintenance services to the general business community, including customers who have our systems. The Company uses its own employees and inventory in the performance of the services, and has credit risk for collecting its billings. Revenue for these services is recognized on a gross basis in the period in which the services are performed, contingent upon customer acceptance.

**Telephone Systems:** In the first six months of fiscal 2004, this revenue comprised less than 1% of net consolidated sales. Sales are derived from the Company providing telephone operator services-related systems and enhancements to existing systems, equipment and software to customers. The Company uses its own employees and has credit risk for collecting its billings. The Company relies upon the principles in Statement of Position 97-2 ("SOP 97-2"), entitled "Software Revenue Recognition" and Emerging Issues Task Force 00-21 ("EITF 00-21"), entitled "Revenue Arrangements with Multiple Deliverables" to recognize revenue on a gross basis upon customer acceptance of each part of the system based upon its fair value.

The Company records provisions for estimated losses on contracts when losses become evident. Accumulated unbilled costs on contracts are carried in inventory at the lower of actual cost or estimated realizable value.

**Allowance for Uncollectable Accounts** - The establishment of an allowance requires the use of judgment and assumptions regarding potential losses on receivable balances. Allowances for doubtful accounts receivable are maintained based upon historical payment patterns, aging of accounts receivable and actual write-off history. The Company believes that its allowances are adequate; however, changes in the financial condition of customers could have an effect on the allowance balance required and a related charge or credit to earnings.

**Goodwill and Other Intangibles** - Under Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," goodwill and other intangibles with indefinite lives are no longer amortized, but are subject to annual testing using fair value methodology. An impairment charge is recognized for the amount, if any, by which the carrying value of an intangible asset exceeds its fair value. In the second quarter of fiscal 2002, the Company engaged independent valuation firms and since then, on an annual basis, has used Company personnel to perform such testing. The testing primarily uses comparable

multiples of sales and EBITDA and other valuation methods to assist the Company in the determination of the fair value of the reporting units measured. Although the Company believes its estimates are appropriate, the fair value measurements of the Company's goodwill could be affected by using different estimates and assumptions in these valuation techniques.

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

Critical Accounting Policies--Continued

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Property, Plant and Equipment - Property, plant and equipment is recorded at cost, and depreciation and amortization are provided on the straight-line and accelerated methods at rates calculated to depreciate the cost of the assets over their estimated lives. Intangible assets, other than goodwill, and property, plant and equipment are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The fair values of the assets are based upon Company estimates of the discounted cash flows that are expected to result from the use and eventual disposition of the assets or that amount that would be realized from an immediate sale. An impairment charge is recognized for the amount, if any, by which the carrying value of an asset exceeds its fair value. No impairment charge was recognized in the second quarter of fiscal 2004, as no events or circumstances indicated the existence of impairment. Although the Company believes its estimates are appropriate, the fair value measurements of the Company's long-lived assets could be affected by using different estimates and assumptions in these valuation techniques.

Capitalized Software - The Company's software technology personnel are involved in the development and acquisition of internal-use software to be used in its Enterprise Resource Planning system and software used in its operating segments. The Company accounts for the capitalization of software in accordance with AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Subsequent to the preliminary project planning and approval stage, all appropriate costs are capitalized until the point at which the software is ready for its intended use. Subsequent to the software being used in operations, the capitalized costs are transferred from costs-in-process to completed property, plant and equipment, and are accounted for as such. All post-implementation costs, such as maintenance, training and minor upgrades that do not result in additional functionality, are expensed as incurred.

Securitization Program - The Company accounts for the securitization of accounts receivables in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." At the time a participation interest in the receivables is sold, that interest is removed from the consolidated balance sheet. The outstanding balance of the undivided interest sold to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A, was \$50.0 million and \$70.0 million at May 2, 2004 and November 2, 2003, respectively. Accordingly, the trade receivables included on the May 2, 2004 and November 2, 2003 balance sheets have been reduced to reflect the \$50.0 million and \$70.0 million participation interest sold, respectively. TRFCO has no recourse to the Company (beyond its interest in the pool of receivables owned by Volt Funding) for any of the sold receivables.

Primary Casualty Insurance Program - The Company is insured with a highly rated insurance company under a program that provides primary workers' compensation, employer's liability, general liability and automobile liability insurance under a loss sensitive program. In certain mandated states, the Company purchases workers' compensation insurance through participation in state funds and the experience-rated premiums in these state plans relieve the Company of any additional liability. In the loss sensitive program, initial premium accruals are established based upon the underlying exposure, such as the amount and type of labor utilized, number of vehicles, etc. The Company establishes accruals

utilizing actuarial methods to estimate the future cash payments that will be made to satisfy the claims, including an allowance for incurred-but-not-reported claims. This process also includes establishing loss development factors, based on the historical claims experience of the Company and the industry, and applying those factors to current claims information to derive an estimate of the Company's ultimate premium liability. In preparing the estimates, the Company considers the nature and severity of the claims, analyses provided by third party actuaries, as well as current legal, economic and

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

Critical Accounting Policies--Continued

regulatory factors. The insurance policies have various premium rating plans that establish the ultimate premium to be paid. Prior to March 31, 2002, the amount of the additional or return premium was finalized. Subsequent thereto, adjustments to premiums will be made based upon the level of claims incurred at a future date up to three years after the end of the respective policy period. For the policy year ended March 31, 2003, a maximum premium has been predetermined and accrued. For the current policy year, management evaluates the accrual, and the underlying assumptions, regularly throughout the year and makes adjustments as needed. The ultimate premium cost may be greater than or less than the established accrual. While management believes that the recorded amounts are adequate, there can be no assurances that changes to management's estimates will not occur due to limitations inherent in the estimation process. In the event it is determined that a smaller or larger accrual is appropriate, the Company would record a credit or a charge to cost of services in the period in which such determination is made.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED TO THE SIX MONTHS ENDED MAY 4, 2003

The information, which appears below, relates to current and prior periods, the results of operations for which periods are not indicative of the results which may be expected for any subsequent periods.

<TABLE>  
<CAPTION>

	Six Months Ended		Three Months Ended		
	May 2, 2004	May 4, 2003	May 2, 2004	May 4, 2003	
Net Sales:	(In thousands)				
<S>	<C>	<C>	<C>	<C>	
Staffing Services					
Staffing	\$ 739,914	\$ 599,211	\$ 397,238	\$ 317,625	
Managed Services (a)	529,796	500,853	291,698	264,918	
Total Gross Sales	1,269,710	1,100,064	688,936	582,543	
Less: Non-Recourse Managed Services (a)		(516,416)	(464,029)	(283,283)	(242,984)
Net Staffing Services	753,294	636,035	405,653	339,559	
Telephone Directory	30,167	27,424	15,596	14,953	
Telecommunications Services	63,404	55,490	33,508	29,633	
Computer Systems	50,422	42,071	26,327	21,697	
Elimination of inter-segment sales	(7,364)	(5,079)	(3,842)	(2,436)	

Total Net Sales	\$ 889,923	\$ 755,941	\$ 477,242	\$ 403,406
Segment Operating Profit (Loss):				
Staffing Services	\$ 10,958	\$ 3,534	\$ 9,567	\$ 4,880
Telephone Directory	3,385	456	1,400	658
Telecommunications Services	(2,719)	(1,053)	(817)	(890)
Computer Systems	10,389	5,574	5,866	3,182
Total Segment Operating Profit	22,013	8,511	16,016	7,830
General corporate expenses	(15,193)	(12,952)	(7,633)	(7,111)
Total Operating Profit (Loss)	6,820	(4,441)	8,383	719
Interest income and other expense	(1,429)	(991)	(913)	(617)
Foreign exchange loss-net	(70)	(90)	(94)	(175)
Interest expense	(880)	(1,198)	(423)	(555)
Income (Loss) from Continuing Operations Before Income Taxes	\$ 4,441	(\$ 6,720)	\$ 6,953	(\$ 628)

</TABLE>

(a) Substantially all of the managed services sales, other than management fees, are eliminated.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED TO THE SIX MONTHS ENDED MAY 4, 2003

#### EXECUTIVE OVERVIEW

Volt Information Sciences, Inc. ("Volt") is a leading national provider of staffing services and telecommunications and information solutions with a Fortune 100 customer base. The Company operates in four segments and the management discussion and analysis is broken down into these segments. A brief description of these segments and the predominant source of their sales follow:

**Staffing Services:** This segment is divided into three major functional areas and operates through a network of over 300 Volt Services Group branch offices. Staffing Solutions fulfills IT and other technical, commercial and industrial placement requirements of its customers, on both a temporary and permanent basis, managed staffing, and professional employer organization services. E-Procurement Solutions provides global vendor neutral procurement and management solutions for supplemental staffing using its Consol web-based system. Information Technology Solutions provides a wide range of information technology consulting and project management services through the Company's VMC Consulting subsidiary.

**Telephone Directory:** This segment publishes independent telephone directories, provides telephone directory production services, database management and computer-based projects to public utilities and financial institutions.

**Telecommunications Services:** This segment provides a full spectrum of telecommunications construction, installation, and engineering services in the outside plant and central offices of telecommunications and cable companies.

**Computer Systems:** This segment provides directory assistance systems and services primarily for the telecommunications industry, and provides IT maintenance services.

There are several historical seasonal factors that usually affect the sales and profits of the Company. The Staffing Services segment's sales are always lowest in the first quarter due to the Thanksgiving, Christmas and New Year holidays, as well as certain customer facilities closing for one to two weeks. During the

third and fourth quarters of the fiscal year, this segment benefits from a reduction of payroll taxes when the annual tax contributions for higher salaried employees have been met, and customers increase the use of the Company's administrative and industrial labor during the summer vacation period. In addition, the Telephone Directory segment's DataNational division publishes more directories during the second half of the fiscal year, and the segment's Uruguay division publishes directories and produces a major portion of its sales and most of its profits in the Company's fourth fiscal quarter. In the current year, some of the high margin DataNational directories usually published in the fourth quarter of fiscal 2003 were published in the first quarter of the current year.

There are numerous non-seasonal factors impacting sales and profits in the current six and three month periods. The sales and profits of the Staffing Services segment, in addition to the factors noted above, was positively impacted by a rebound in the country's use of temporary staffing, partially offset by the continued pressure on margins caused by increases in state payroll taxes and workers' compensation costs. In addition to the increase in sales, the profitability of the Staffing segment has benefited by the increased proportion of the higher margin VMC Consulting subsidiary sales. Although losses have been reduced, the Administrative and Industrial division's operating loss continues to negatively impact the Staffing segment. The sales and profits of the Telephone Directory segment were positively affected by an improvement in the ad backlog and the continued positive effects of its new stringent credit policy, which has reduced bad debts. Even though the sales of the

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED TO THE SIX MONTHS ENDED MAY 4, 2003--Continued

#### EXECUTIVE OVERVIEW - CONTINUED

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Telecommunications Services segment increased, profits were negatively impacted by a change in its product mix. The Company has continued to carefully monitor the overhead within the segment to mitigate the effect on the reduced margins throughout the segment, which should improve results in future quarters at current sales volumes. The sales and profits of the Computer Systems segment were positively impacted by the continued increase in the segment's ASP directory assistance outsourcing business, in which there continues to be a sequential increase in transaction volume.

The Company has, and will continue to focus on aggressively increasing its market share and profits. All segments have emphasized cost containment measures, along with improved credit and collections procedures designed to improve the Company's cash flow. Cash flow, including \$18.5 million from the sale of real estate, enabled the Company to reduce the use of the Securitization Program by \$20.0 million.

The Company continues its effort to streamline its processes to manage the business and protect its assets through the continued deployment of its Six Sigma initiatives, upgrading its financial reporting systems, its ongoing compliance with the Sarbanes-Oxley Act, and the standardization and upgrading of the IT redundancy and business continuity for corporate systems and communications networks. To the extent possible, the Company has been utilizing, and will continue to utilize, internal resources to comply with the Sarbanes-Oxley Act by the end of fiscal year 2005. To-date, outside costs of compliance with this Act, including software licenses, equipment, consultants and professional fees amounted to \$0.2 million and it is anticipated that a similar amount, excluding audit fees, will be expended over the next twelve months.

#### RESULTS OF OPERATIONS - SUMMARY

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In the six-month period of fiscal 2004, consolidated net sales increased by \$134.0 million, or 18%, to \$889.9 million, from the comparable period in fiscal 2003. The increase in fiscal 2004 net sales resulted from increases in all four

of the Company's segments. Staffing Services increased by \$117.3 million, Computer Systems increased by \$8.4 million, Telecommunications increased by \$7.9 million and Telephone Directory increased by \$2.7 million.

The net income for the first six months of fiscal 2004 was \$12.2 million compared to a net loss of \$4.2 million in the prior year first six-month period. The consolidated results for the six-month period of fiscal 2004 included income from discontinued operations of \$9.5 million (net of taxes of \$4.6 million) from the sale of real estate previously leased to the Company's former 59% owned subsidiary, Autologic International, Inc.

The Company's six-month fiscal 2004 income from continuing operations before income taxes was \$4.4 million compared to a loss of \$6.7 million in the first six months of fiscal 2003. The Company's operating segments reported an operating profit of \$22.0 million for the first six months of fiscal 2004 compared to \$8.5 million in the comparable fiscal 2003 period. Contributing to the \$13.5 million improvement were increases in operating profit reported by the Staffing Services, Computer Systems and Telephone Directory segments of \$7.4 million, \$4.8 million and \$2.9 million, respectively, partially offset by an increased operating loss of \$1.7 million in the

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED TO THE SIX MONTHS ENDED MAY 4, 2003--Continued

RESULTS OF OPERATIONS - SUMMARY - CONTINUED

Telecommunications segment. General corporate expenses increased by \$2.2 million due to costs incurred to meet the disaster recovery requirements of redundancy and business continuity for corporate systems and communication networks.

Although results of the Staffing Services segment improved significantly, many of the Company's customers in the telecommunications industry have significantly reduced capital expenditures. This factor continues to affect the results of the Company's Telecommunications Services segments.

RESULTS OF OPERATIONS - BY SEGMENT

STAFFING SERVICES

<TABLE>  
<CAPTION>

	Six Months Ended					
	May 2, 2004		May 4, 2003		Favorable	Favorable
	% of		% of		Net (Unfavorable)	Net (Unfavorable)
(Dollars in Millions)	Dollars	Sales	Dollars	Sales	\$ Change	% Change
Staffing Sales (Gross)	\$739.9		\$599.2		\$140.7	23.5%
Managed Service Sales (Gross)	\$529.8		\$500.9		\$28.9	5.8%
Sales (Net)	\$753.3		\$636.0		\$117.3	18.4%
Gross Profit	\$114.8	15.2%	\$98.1	15.4%	\$16.7	17.0%
Overhead	\$103.8	13.8%	\$94.6	14.9%	(\$9.2)	(9.8%)
Operating Profit	\$11.0	1.4%	\$3.5	0.5%	\$7.5	210.1%



</TABLE>

The sales increase of the Staffing Services segment in the first six months of fiscal 2004 from the comparable period in fiscal 2003 was due to increased traditional staffing business in both the Technical Placement and the Administrative and Industrial divisions, and the VMC Consulting business of the Technical Placement division, partially offset by reduced managed service fees.

The increase in operating profit in the segment was derived from the staffing and managed service operations of the Technical Placement division, including VMC Consulting, together with reduced losses of the Administrative and Industrial division.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE SIX MONTHS ENDED MAY 4, 2003--Continued

STAFFING SERVICES - CONTINUED

<TABLE>  
<CAPTION>

Technical Placement Division ----- (Dollars in Millions)	Six Months Ended					
	May 2, 2004		May 4, 2003		Favorable	Favorable
	% of	% of	Favorable	Favorable		
	Net	Net	(Unfavorable)	(Unfavorable)		
	Dollars	Sales	Dollars	Sales	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Gross)	\$ 962.7	\$ 859.1	\$ 103.6	12.1%		
Sales (Net)	\$ 456.5	\$ 398.4	\$ 58.1	14.6%		
Gross Profit	\$ 76.5	16.8%	\$ 65.4	16.4%	\$ 11.1	16.9%
Overhead	\$ 61.5	13.5%	\$ 56.0	14.0%	(\$ 5.5)	(9.9%)
Operating Profit	\$ 15.0	3.3%	\$ 9.4	2.4%	\$ 5.6	58.6%

</TABLE>

The Technical Placement division's increase in gross sales in the first six months of fiscal 2004 from the comparable period in fiscal 2003 was due to a 20% sales increase with traditional staffing customers, a 13% increase in ProcureStaff volume due to new accounts and increased business from existing accounts, and a 48% increase in higher margin VMC Consulting project management and consulting sales. However, substantially all of the ProcureStaff billings are deducted in arriving at net sales due to the use of associate vendors who have contractually agreed to be paid only upon receipt of the customers' payment to the Company. The increase in net sales was due to the aforementioned increase in gross sales, along with an increase in the amount of Company recruited employees fulfilling ProcureStaff assignments. The increase in the operating profit for the period was the result of the increase in sales, a 0.4 percentage point improvement in gross margin and a 0.5 percentage point decrease in overhead costs as related to net sales.

<TABLE>  
<CAPTION>

Administrative & Industrial Division	Six Months Ended					
	May 2, 2004		May 4, 2003		Favorable	Favorable
	% of	% of	Favorable	Favorable		

(Dollars in Millions)	Net		Net (Unfavorable)		(Unfavorable)	
	Dollars	Sales	Dollars	Sales	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Gross)	\$ 307.0		\$ 241.0		\$ 66.0	27.4%
Sales (Net)	\$ 296.8		\$ 237.6		\$ 59.2	24.9%
Gross Profit	\$ 38.3	12.9%	\$ 32.7	13.7%	\$ 5.6	17.3%
Overhead	\$ 42.4	14.3%	\$ 38.6	16.2%	(\$ 3.8)	(9.7%)
Operating Loss	(\$ 4.0)	(1.4%)	(\$ 5.9)	(2.5%)	\$ 1.9	31.8%

The Administrative and Industrial division's increase in gross sales in the first six months of fiscal 2004 was the result of new accounts and increased business from existing accounts. The decrease in operating loss was the result of the aforementioned sales increase, a 1.9 percentage point decrease in overhead costs as related to net sales, partially offset by a decrease in gross margin of 0.8 percentage points, due to higher taxes and workers' compensation rates, increased competition and customers leveraging their buying power by consolidating the number of vendors with whom they deal.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED TO THE SIX MONTHS ENDED MAY 4, 2003--Continued

STAFFING SERVICES - CONTINUED

An improvement in profit levels of the segment depends on the timing and strength of the continued increase towards previous usage levels of alternative staffing by American industry. In addition, high unemployment and the need for state and local governments to align their revenues with expenditures will result in continued pressure on margins unless and until jurisdictions decrease payroll and various other taxes.

TELEPHONE DIRECTORY

<TABLE>  
<CAPTION>

(Dollars in Millions)	Six Months Ended		Favorable		Favorable	
	May 2, 2004	May 4, 2003	Net (Unfavorable)	Net (Unfavorable)	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Net)	\$30.2		\$27.4		\$2.8	10.0%
Gross Profit	\$14.9	49.5%	\$12.5	45.6%	\$2.4	19.4%
Overhead	\$11.5	38.3%	\$12.0	43.9%	\$0.5	4.2%
Operating Profit	\$ 3.4	11.2%	\$0.5	1.7%	\$2.9	642.3%

The Telephone Directory segment's sales increase in the first six months of fiscal 2004 was primarily due to a change in the publication schedule of the

DataNational operation's community telephone directories. The publishing sales increased by \$6.3 million, or 42%, from the comparable period in fiscal 2003. Sales declined by \$3.5 million in the segment's telephone production, printing and other operations, the most significant being a \$1.9 million decrease in telephone production revenue related to the previously reported loss of a contract with a telecommunications company in the third quarter of fiscal 2003. The improvement in operating results was predominantly the result of the sales increase within the segment, together with a 3.9 percentage point increase in gross margins, primarily due to the mix of directories published by DataNational in the period, and a decrease in overhead of 5.6 percentage points due to reduced bad debt expense.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE SIX MONTHS ENDED MAY 4, 2003--Continued

TELECOMMUNICATIONS SERVICES

<TABLE>  
<CAPTION>

	Six Months Ended					
	May 2, 2004		May 4, 2003		Favorable	Favorable
(Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales	\$ Change	% Change
Sales (Net)	\$ 63.4		\$ 55.5		\$ 7.9	14.3%
Gross Profit	\$ 15.1	23.9%	\$ 15.8	28.6%	(\$ 0.7)	(4.4%)
Overhead	\$ 17.8	28.2%	\$ 16.9	30.5%	(\$ 0.9)	(5.7%)
Operating Loss	(\$ 2.7)	(4.3%)	(\$ 1.1)	(1.9%)	(\$ 1.6)	(158.2%)

</TABLE>

The Telecommunications Services segment's sales increase in the first six months of fiscal 2004 was due to increased business in the Business Systems division, partially offset by a decrease in the Central Office division. The increase in operating loss was due to a 4.7 percentage point decrease in gross margins, a previously reported \$1.3 million non-recurring charge incurred in the first quarter related to a domestic consulting contract for services, partially offset by a decrease in other overhead as a percentage of net sales of 4.5 percentage points. Despite an emphasis on cost controls, the results of the segment continue to be affected by the decline in capital spending by telephone companies caused by the depressed conditions within the segment's telecommunications industry customer base. This factor has also increased competition for available work, pressuring pricing and gross margins throughout the segment. The division most affected by reduced sales and margins was Central Office, whose sales and margins decreased by 39% and 16.8 percentage points, respectively.

COMPUTER SYSTEMS

<TABLE>  
<CAPTION>

	Six Months Ended			
	May 2, 2004		May 4, 2003	
(Dollars in Millions)	Dollars	% of Net	Dollars	% of Net
Sales (Net)	\$ 63.4		\$ 55.5	
Gross Profit	\$ 15.1	23.9%	\$ 15.8	28.6%
Overhead	\$ 17.8	28.2%	\$ 16.9	30.5%
Operating Loss	(\$ 2.7)	(4.3%)	(\$ 1.1)	(1.9%)

Favorable Favorable  
Net (Unfavorable) (Unfavorable)

(Dollars in Millions)	Dollars	Sales	Dollars	Sales	\$ Change	% Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Net)	\$50.4	\$42.1	\$8.3	19.8%		
Gross Profit	\$28.5	56.6%	\$20.7	49.1%	\$7.8	38.0%
Overhead	\$18.1	36.0%	\$15.1	35.9%	(\$3.0)	(20.2%)
Operating Profit	\$10.4	20.6%	\$ 5.6	13.2%	\$4.8	86.4%

The Computer Systems segment's sales increase in the first six months of fiscal 2004 was due to improvements in the segment's operator services business, including ASP directory assistance, which reflected a 37% growth in sales during the period, a sales increase of 216% in DataServ, a 9% sales growth in the Maintech division, partially offset by a decrease in product revenue recognized of 54%. The growth in operating profit from the comparable period of the previous year was the result of the increase in sales and an increase in gross margins of 7.4 percentage points.

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

SIX MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE SIX MONTHS ENDED MAY 4, 2003

RESULTS OF OPERATIONS - OTHER

<TABLE>  
<CAPTION>

	Six Months Ended					
	May 2, 2004		May 4, 2003			
(Dollars in Millions)	% of Net Dollars	% of Net Sales	% of Net Dollars	Favorable Net (Unfavorable) Sales	Favorable Net (Unfavorable) \$ Change	Favorable Net (Unfavorable) % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Selling & Administrative	\$37.1	4.2%	\$33.7	4.5%	(\$3.4)	(9.9%)
Depreciation & Amortization	\$12.4	1.4%	\$11.6	1.5%	(\$0.8)	(6.3%)
Interest Income	\$ 0.4	--	\$ 0.5	--	(\$0.1)	(10.2%)
Other Expense	(\$1.9)	0.2%	(\$1.5)	0.2%	(\$0.4)	(26.4%)
Foreign Exchange Loss	(\$0.1)	--	(\$0.1)	--	\$0.0	22.2%
Interest Expense	(\$0.9)	0.1%	(\$1.2)	0.2%	\$0.3	26.5%

</TABLE>

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

The increase in selling and administrative expenses in the first six-months of fiscal 2004 from the comparable period was a result of increased corporate general and administrative expenses related to costs to meet the disaster recovery requirements of redundancy and business continuity for corporate systems and communications networks.

The increase in depreciation and amortization for the first six months of fiscal 2004 from the comparable period was attributable to an increase in fixed assets,

primarily in the Staffing Services and Computer Systems segments.

The Other Expense in the first six months of both fiscal years is primarily the charges related to the Company's Securitization Program, as well as sundry expenses.

The decrease in interest expense in the first six months of fiscal 2004 from the comparable period was the result of lower borrowing levels and interest rates in Uruguay.

The Company's effective tax rate on its financial reporting pre-tax income from continuing operations was 38.5% in the first six months of fiscal 2004 compared to an effective tax rate benefit of 37.0% in the comparable period of fiscal 2003. In fiscal 2004, the effective tax rate was low due to available general business credits. In fiscal 2003, the effective tax rate benefit was low due to foreign losses for which no tax benefit was provided.

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

THREE MONTHS ENDED MAY 2, 2004 COMPARED TO THE THREE MONTHS ENDED MAY 4, 2003

RESULTS OF OPERATIONS - SUMMARY

In the second quarter of fiscal 2004, consolidated net sales increased by \$73.8 million, or 18%, to \$477.2 million from the comparable period in fiscal 2003. The increase in sales for the quarter from the comparable prior year resulted from increases in all four of the Company's segments. Staffing Services increased by \$66.1 million, Computer Systems increased by \$4.6 million, Telecommunications increased by \$3.9 million and Telephone Directory increased by \$0.6 million.

The Company's net income was \$13.8 million in the second quarter of fiscal 2004 compared to a net loss of \$0.4 million in the second quarter of 2003. The consolidated results for the second quarter of fiscal 2004 included income from discontinued operations of \$9.5 million (net of taxes of \$4.6 million) from the sale of a facility previously leased to the Company's 59% owned subsidiary, Autologic International, Inc.

The Company's second quarter fiscal 2004 income from continuing operations before income taxes was \$7.0 million, compared to a loss of \$0.6 million in fiscal 2003. The Company's operating segments reported an operating profit of \$16.0 million in the second quarter of fiscal 2004 compared to \$7.8 million in the fiscal 2003 second quarter. Each of the Company's segments reported improvements in operating results, with individual improvements as follows: Staffing Services, \$4.7 million, Computer Systems, \$2.7 million, Telephone Directory, \$0.7 million and Telecommunications \$0.1 million.

The improved results in Staffing Services segment were due to a continued increase by customers towards previous usage of alternative staffing and business from new customers. However, many of the Company's customers in the telecommunications industry have significantly reduced expenditures. This factor continues to adversely affect the results of the Company's Telecommunications Services segment.

RESULTS OF OPERATIONS - BY SEGMENT

STAFFING SERVICES

<TABLE>  
<CAPTION>

Three Months Ended	
May 2, 2004	May 4, 2003

Staffing Services ----- (Dollars in Millions)		% of Net Dollars	% of Net Dollars	Favorable Net (Unfavorable) Sales	Favorable Net (Unfavorable) Sales	Favorable \$ Change	Favorable % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Staffing Sales (Gross)	\$ 397.2		\$ 317.6		\$ 79.6		25.1%
Managed Service Sales (Gross)	\$ 291.7		\$ 264.9		\$ 26.8		10.1%
Sales (Net)	\$ 405.7		\$ 339.6		\$ 66.1		19.5%
Gross Profit	\$ 63.3	15.6%	\$ 53.1	15.6%	\$ 10.2		19.2%
Overhead	\$ 53.7	13.2%	\$ 48.2	14.2%	(\$ 5.5)		(11.5%)
Operating Profit	\$ 9.6	2.4%	\$ 4.9	1.4%	\$ 4.7		96.0%

</TABLE>

The sales increase of the Staffing Services segment in the second quarter of fiscal 2004 from the comparable period in fiscal 2003 was due to increased traditional staffing business in both the Technical Placement and the Administrative and Industrial divisions, and the VMC Consulting business of the Technical Placement division, partially offset by reduced net managed service fees.

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

THREE MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE THREE MONTHS ENDED MAY 4, 2003--Continued

RESULTS OF OPERATIONS BY SEGMENT - CONTINUED

STAFFING SERVICES - CONTINUED

The increase in operating profit in the segment was derived from the traditional and managed service operations of the Technical Placement division, including VMC Consulting, together with a reduction in the operating loss of the Administrative and Industrial division.

<TABLE>  
<CAPTION>

	Three Months Ended						
	May 2, 2004		May 4, 2003				
Technical Placement ----- (Dollars in Millions)		% of Net Dollars	% of Net Dollars	Favorable Net (Unfavorable) Sales	Favorable Net (Unfavorable) Sales	Favorable \$ Change	Favorable % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Gross)	\$ 524.5		\$ 457.0		\$ 67.5		14.8%
Sales (Net)	\$ 247.3		\$ 216.2		\$ 31.1		14.4%
Gross Profit	\$ 42.8	17.3%	\$ 36.1	16.7%	\$ 6.7		18.6%
Overhead	\$ 32.1	13.0%	\$ 28.3	13.1%	(\$ 3.7)		(12.9%)
Operating Profit	\$ 10.7	4.3%	\$ 7.7	3.6%	\$ 3.0		39.5%

</TABLE>

The Technical Placement division's increase in gross sales in the second quarter of fiscal 2004 from the comparable period in fiscal 2003 was due to a 23% sales increase with staffing customers, a 16% increase in ProcureStaff volume due to new accounts and increased business from existing accounts, and a 48% increase

in the higher margin VMC Consulting project management and consulting sales. However, substantially all of the ProcureStaff billings are deducted in arriving at net sales due to the use of associate vendors who have contractually agreed to be paid only upon receipt of the customers' payment to the Company. The increase in net sales was due to the aforementioned increase in gross sales, along with an increase in the amount of Company recruited employees fulfilling ProcureStaff assignments. The increase in the operating profit for the period was the result of the increase in sales, a 0.6 percentage point improvement in gross margin and a 0.1 percentage point decrease in overhead costs as related to net sales.

<TABLE>  
<CAPTION>

Administrative Industrial Division  (Dollars in Millions)	Three Months Ended					
	May 2, 2004		May 4, 2003		Favorable (Unfavorable) \$ Change	Favorable (Unfavorable) % Change
	Dollars	% of Net Sales	Dollars	% of Net Sales		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Gross)	\$ 164.4	13.0%	\$ 125.5	13.8%	\$ 38.9	31.0%
Sales (Net)	\$ 158.4	13.7%	\$ 123.3	16.1%	\$ 35.1	28.4%
Gross Profit	\$ 20.5	13.0%	\$ 17.0	13.8%	\$ 3.5	20.7%
Overhead	\$ 21.6	13.7%	\$ 19.8	16.1%	(\$ 1.8)	(9.4%)
Operating Loss	(\$ 1.1)	(0.7%)	(\$ 2.8)	(2.3%)	\$ 1.7	58.7%

</TABLE>

The Administrative and Industrial division's increase in gross sales in the second quarter of fiscal 2004 was the result of new accounts and increased business from existing accounts. The decrease in operating loss was the

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

THREE MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE THREE MONTHS ENDED MAY 4, 2003--Continued

RESULTS OF OPERATIONS BY SEGMENT - CONTINUED

STAFFING SERVICES - CONTINUED

result of the aforementioned sales increase, a 2.4 percentage point decrease in overhead costs as related to net sales, partially offset by a decrease in gross margin of 0.8 percentage points, due to higher taxes and workers' compensation rates, increased competition and customers leveraging their buying power by consolidating the number of vendors with whom they deal.

A continued increase in profit levels depends on the timing and strength of an increase towards previous usage levels of alternative staffing by American industry. In addition, high unemployment and the need for state and local governments to align their revenues with expenditures will result in continued pressure on margins unless and until jurisdictions decrease payroll and various other taxes.

TELEPHONE DIRECTORY

<TABLE>  
<CAPTION>

	May 2, 2004		May 4, 2003			
Telephone Directory (Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales	Favorable (Unfavorable) \$ Change	Favorable (Unfavorable) % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Net)	\$ 15.6		\$ 15.0		\$ 0.6	4.3%
Gross Profit	\$ 7.1	45.3%	\$ 7.3	49.0%	(\$ 0.2)	(3.5%)
Overhead	\$ 5.7	36.3%	\$ 6.6	44.6%	\$ 0.9	15.0%
Operating Profit (Loss)	\$ 1.4	9.0%	\$ 0.7	4.4%	\$ 0.7	112.8%

The Telephone Directory segment's sales increase in the second quarter of fiscal 2004 was due primarily to an increase in the sales per books in the DataNational operation's community telephone directories. The publishing sales increased by \$1.6 million, or 17%, from the comparable period in fiscal 2003. Sales declined by \$1.0 million in the segment's telephone production, printing and other operations, the most significant being a \$0.6 million decrease in telephone production revenue related to the previously reported loss of a contract with a telecommunications company in the third quarter of fiscal 2003. The improvement in operating results was predominantly the result of the sales increase within the segment, along with a decrease in overhead of 8.3 percentage points mostly due to reduced bad debt expense, partially offset by a reduction in gross margin of 3.7 percentage points, primarily due to the mix of directories published.

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

THREE MONTHS ENDED MAY 2, 2004 COMPARED  
TO THE THREE MONTHS ENDED MAY 4, 2003--Continued

TELECOMMUNICATIONS SERVICES

<TABLE>  
<CAPTION>

	Three Months Ended					
Telecommunications (Dollars in Millions)	May 2, 2004	May 4, 2003	Dollars	% of Net Sales	Dollars	% of Net Sales
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Net)	\$ 33.5		\$ 29.6		\$ 3.9	13.1%
Gross Profit	\$ 7.9	23.5%	\$ 8.4	28.2%	(\$ 0.5)	(6.0%)
Overhead	\$ 8.7	25.9%	\$ 9.3	31.2%	\$ 0.6	6.2%
Operating Loss	(\$ 0.8)	(2.4%)	(\$ 0.9)	(3.0%)	\$ 0.1	8.2%

The Telecommunication Services segment's sales increase in the second quarter of fiscal 2004 was due to increased business in the Business Systems division, partially offset by a decrease in the Construction and Engineering and Central Office divisions. The decrease in operating loss was due to a 5.3 percentage point decrease in overhead as a percentage of net sales, partially offset by a reduction in gross margin of 4.7 percentage points. Despite an emphasis on cost controls, the results of the segment continue to be affected by the decline in capital spending by telephone companies caused by the depressed conditions within the segment's telecommunications industry customer base. This factor has



also increased competition for available work, pressuring pricing and gross margins throughout the segment. The division most affected by reduced sales and margins was Central Office, whose sales and margins decreased by 44% and 19.6 percentage points, respectively.

#### COMPUTER SYSTEMS

<TABLE>  
<CAPTION>

	Three Months Ended					
	May 2, 2004		May 4, 2003			
Computer Systems (Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales	Favorable (Unfavorable) \$ Change	Favorable (Unfavorable) % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales (Net)	\$ 26.3		\$ 21.7		\$ 4.6	21.3%
Gross Profit	\$ 15.1	57.3%	\$ 10.8	49.6%	\$ 4.3	40.3%
Overhead	\$ 9.2	35.0%	\$ 7.6	34.9%	(\$ 1.6)	(21.8%)
Operating Profit	\$ 5.9	22.3%	\$ 3.2	14.7%	\$ 2.7	84.3%

</TABLE>

The Computer Systems segment's sales increase in the second quarter of fiscal 2004 was due to improvements in the segment's operator services business, including ASP directory assistance, which reflected a 42% growth in sales during the period compared to last year's second quarter, a sales increase of 237% in DataServ, a 16% sales growth in the Maintech division, partially offset by a decrease in product revenue recognized of 72%. The growth in operating profit from the comparable period of the previous year was the result of the increase in sales and an increase in gross margins of 7.7 percentage points.

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

##### THREE MONTHS ENDED MAY 2, 2004 COMPARED TO THE THREE MONTHS ENDED MAY 4, 2003--Continued

#### RESULTS OF OPERATIONS - OTHER

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

<TABLE>  
<CAPTION>

	Three Months Ended					
	May 2, 2004		May 4, 2003			
Other (Dollars in Millions)	Dollars	% of Net Sales	Dollars	% of Net Sales	Favorable (Unfavorable) \$ Change	Favorable (Unfavorable) % Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Selling & Administrative	\$ 18.6	3.9%	\$ 17.8	4.4%	(\$ 0.8)	(4.7%)
Depreciation & Amortization	\$ 6.2	1.3%	\$ 5.9	1.5%	(\$ 0.3)	(5.5%)
Interest Income	\$ 0.2	--	\$ 0.3	--	(\$ 0.1)	(32.2%)
Other Expense	(\$ 1.1)	0.2%	(\$ 0.9)	0.2%	(\$ 0.2)	(21.9%)

Foreign Exchange Loss	(\$ 0.1)	--	(\$ 0.2)	--	\$ 0.1	46.3%
Interest Expense	(\$ 0.4)	0.1%	(\$ 0.6)	0.1%	\$ 0.2	23.8%

</TABLE>

The increase in selling and administrative expenses in the second quarter of fiscal 2004 from the comparable period was a result of increased corporate general and administrative expenses related to costs to meet the disaster recovery requirements of redundancy and business continuity for corporate systems and communications networks.

The increase in depreciation and amortization in the second quarter of fiscal 2004 from the comparable period was attributable to an increase in fixed assets, primarily in the Staffing Services and Computer Systems segments.

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

THREE MONTHS ENDED MAY 2, 2004 COMPARED TO THE THREE MONTHS ENDED MAY 4, 2003--Continued

RESULTS OF OPERATIONS - OTHER - CONTINUED

Other Expense in the second quarters of both fiscal years is primarily the charges related to the Company's Securitization Program, as well as sundry expenses.

The decrease in interest expense in the second quarter of fiscal 2004 from the comparable period was the result of lower borrowing levels and interest rates in Uruguay.

The Company's effective tax rate on its financial reporting pre-tax income from continuing operations was 38.9% in the second quarter of fiscal 2004 compared to an effective tax rate benefit of 31.2% in fiscal 2003. In fiscal 2004, the effective tax rate was low due to available general business credits. In fiscal 2003, the effective tax rate benefit was low due to foreign losses for which no tax benefit was provided.

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

Liquidity and Capital Resources

Cash and cash equivalents, including restricted cash held in escrow for ProcureStaff and Viewtech clients of \$24.9 million and \$18.9 million at May 2, 2004 and November 2, 2003, respectively, increased by \$0.8 million to \$62.9 million in the six months ended May 2, 2004. Unrestricted cash and cash equivalents decreased to \$38.0 million at May 2, 2004 from \$43.2 million at November 2, 2003 resulting from increased working capital requirements.

Operating activities used \$1.0 million of cash in the first six months of fiscal 2004 compared to providing \$12.6 million in the first half of fiscal 2003.

Operating activities in the first six months of fiscal 2004, exclusive of changes in operating assets and liabilities, produced \$16.7 million of cash, as the Company's income from continuing operations of \$2.7 million included non-cash charges primarily for depreciation and amortization of \$12.4 million and accounts receivable provisions of \$1.8 million. In the first half of fiscal 2003, operating activities, exclusive of changes in operating assets and liabilities, produced \$10.0 million of cash, as the Company's net loss of \$4.2 million included non-cash charges primarily for depreciation and amortization of

\$11.6 million and accounts receivable provisions of \$2.7 million.

Changes in operating assets and liabilities used \$17.7 million of cash in the first half of fiscal 2004, principally due to an increase in the level of accounts receivable of \$35.2 million and a \$20.0 million reduction in the participation interest sold under the Company's Securitization Program, partially offset by an increase in the level of accounts payable and accrued expenses of \$27.7 million, an increase in the level of deferred income and other liabilities of \$5.7 million and a decrease in the level of inventory of \$5.4 million. The increase in accounts receivable, accounts payable and other operating assets and liabilities were the result of increased business in the first half of fiscal 2004. In the first half of fiscal 2003, changes in operating assets and liabilities produced \$2.6 million of cash, principally due to cash provided by increases in deferred income and other liabilities of \$12.1 million, partially offset by a \$4.1 million increase in the level of inventory and a \$3.6 million reduction in net income taxes.

The principal factors in the \$1.9 million of cash provided by investing activities for the first six months of fiscal 2004 were the \$18.5 million in proceeds from the sale of real estate, previously leased to the Company's former 59%-owned subsidiary, substantially offset by expenditures of \$16.8 million for property, plant and equipment. The principal factor in the \$9.4 million of cash applied to investing activities for the first six months of fiscal 2003 was expenditures of \$9.5 million for property plant and equipment. The increase in expenditures for property, plant and equipment primarily resulted from the Computer Systems' ASP business.

The principal factors in the \$0.2 million of cash applied to financing activities in the first six months of fiscal 2004 were repayments of long-term debt and notes payable to banks. The principal factor in the \$0.5 million of cash provided by financing activities in the first six months of fiscal 2003 was an increase in the level of bank notes of \$1.9 million offset by a \$1.4 million repayment of long-term debt.

#### Commitments

- - - - -

In fiscal 2000, the Company began development of a new web-enabled 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 currently anticipated to be approximately \$12.0 million, of which approximately \$9.2 million has been incurred and capitalized to-date.

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

### Commitments--Continued

- - - - -

The Company's Computer Systems segment anticipates spending approximately \$6.0 million during the remainder of fiscal year 2004 to furnish systems and equipment to customers and provide enhanced directory assistance and other information services as a transaction-based ASP service, charging a fee per transaction. The Company has no other material capital commitments.

There has been no material change through May 2, 2004 in the Company's contractual cash obligations and other commercial commitments from that reported in the Company's Annual Report on Form 10-K for the fiscal year ended November 2, 2003.

### Off-Balance Sheet Financing

- - - - -

The Company has no off-balance sheet financing arrangements, as that term is used in Item 303(a)(4) of Regulation S-K.

### Securitization Program

- - - - -

Effective April 15, 2002, the Company entered into a \$100.0 million three-year accounts receivable securitization program ("Securitization Program"). In April 2004, the Company amended its Securitization Program which increased the capacity of its accounts receivable securitization program to \$150.0 million and extended its maturity to April 2006. Under the Securitization Program, receivables related to the United States operations of the staffing solutions business of the Company and its subsidiaries are sold from time-to-time by the Company to Volt Funding Corp., a wholly owned special purpose subsidiary of the Company ("Volt Funding"). Volt Funding, in turn, sells to Three Rivers Funding Corporation ("TRFCO"), an asset backed commercial paper conduit sponsored by Mellon Bank, N.A. and unaffiliated with the Company, an undivided percentage ownership interest in the pool of receivables Volt Funding acquires from the Company (subject to a maximum purchase by TRFCO in the aggregate of \$150.0 million). The Company retains the servicing responsibility for the accounts receivable. At May 14, 2004, TRFCO had purchased from Volt Funding a participation interest of \$50.0 million out of a pool of approximately \$218.2 million of receivables.

The Securitization Program is not an off-balance sheet arrangement as Volt Funding is a 100% owned consolidated subsidiary of the Company, with accounts receivable only reduced to reflect the fair value of receivables actually sold. The Company entered into this arrangement as it provided a low-cost alternative to other forms of financing.

The Securitization Program is designed to enable receivables sold by the Company to Volt Funding to constitute true sales of those receivables. As a result, the receivables are available to satisfy Volt Funding's own obligations to its own creditors before being available, through the Company's residual equity interest in Volt Funding, to satisfy the Company's creditors. TRFCO has no recourse to the Company (beyond its interest in the pool of receivables owned by Volt Funding) for any of the sold receivables.

In the event of termination of the Securitization Program, new purchases of a participation interest in receivables by TRFCO would cease and collections reflecting TRFCO's interest would revert to it. The Company believes TRFCO's aggregate collection amounts should not exceed the pro rata interests sold. There are no contingent liabilities or commitments associated with the Securitization Program.

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

### Securitization Program--Continued

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The Company accounts for the securitization of accounts receivable in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." At the time a participation interest in the receivables is sold, the receivable representing that interest is removed from the consolidated balance sheet (no debt is recorded) and the proceeds from the sale are reflected as cash provided by operating activities. Losses and expenses associated with the transactions, primarily related to discounts on TRFCO's commercial paper, are charged to the consolidated statement of operations.

The Securitization Program is subject to termination at TRFCO's option, under certain circumstances, including, among other things, the default rate, as defined, on receivables exceeding a specified threshold, the rate of collections on receivables failing to meet a specified threshold, the Company failing to maintain a long-term debt rating of "B" or better or the equivalent thereof from a nationally recognized rating organization or a default occurring and continuing on indebtedness for borrowed money of at least \$5.0 million. At May 2, 2004, the Company was in compliance with all requirements of the Securitization Program and believes it will remain in compliance throughout the remainder of the fiscal year.

### Credit Lines

-----  
At May 2, 2004, the Company had credit lines with domestic and foreign banks that provide for borrowings and letters of credit up to an aggregate of \$41.3

million, including \$30.0 million under a secured, syndicated revolving credit agreement, which will expire in April 2005. In April 2004, the Company amended its \$40.0 million secured, syndicated, revolving credit agreement ("Credit Agreement") which expired in April 2004, to, among other things, extend the term for 364 days and reduce the line to \$30.0 million, as a result of the increase in its Securitization Program (discussed above).

The Credit Agreement established a credit facility ("Credit Facility") in favor of the Company and designated subsidiaries, of which up to \$15.0 million may be used for letters of credit. Borrowings by subsidiaries are limited to \$25.0 million in the aggregate. The administrative agent arranger for the secured Credit Facility is JP Morgan Chase Bank. The other banks participating in the Credit Facility are Mellon Bank, NA, Wells Fargo, N. A. and Lloyds TSB Bank PLC. Borrowings and letters of credit under the Credit Facility are limited to a specified borrowing base, which is based upon the level of specified receivables, generally at the end of the fiscal month preceding a borrowing. At May 2, 2004, the entire \$30.0 million was available. Borrowings under the Credit Facility are to bear interest at various rate options selected by the Company at the time of each borrowing. Certain rate options, together with a facility fee, are based on a leverage ratio, as defined. Additionally, interest and the facility fees can be increased or decreased upon a change in the Company's long-term debt rating provided by a nationally recognized rating agency. Based upon the Company's leverage ratio and debt rating at May 2, 2004, if a three-month LIBO rate was the interest rate option selected by the Company, borrowings would have borne interest at the rate of 2.7% per annum. At May 2, 2004, the facility fee was 0.3% per annum.

The Credit Agreement provides for the maintenance of various financial ratios and covenants, including, among other things, a requirement that the Company maintain a consolidated tangible net worth, as defined, of \$220.0 million; a limitation on cash dividends, capital stock repurchases and redemptions by the Company in any one fiscal year to 50% of consolidated net income, as defined, for the prior fiscal year; and a requirement that the Company maintain a ratio of EBIT, as defined, to interest expense, as defined, of 1.25 to 1.0 for the twelve months ending as of the last day of each fiscal quarter. The Credit Agreement also imposes limitations on, among other things, the incurrence of additional indebtedness, the incurrence of additional liens, sales of assets,

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

### Credit Lines--Continued

-----  
the level of annual capital expenditures, and the amount of investments, including business acquisitions and investments in joint ventures, and loans that may be made by the Company and its subsidiaries. At May 2, 2004, the Company was in compliance with all covenants in the Credit Agreement and believes it will remain in compliance throughout the remainder of the fiscal year.

The Company is liable on all loans made to it and all letters of credit issued at its request, and is jointly and severally liable as to loans made to subsidiary borrowers. However, unless also a guarantor of loans, a subsidiary borrower is not liable with respect to loans made to the Company or letters of credit issued at the request of the Company, or with regard to loans made to any other subsidiary borrower. Seven subsidiaries of the Company are guarantors of all loans made to the Company or to subsidiary borrowers under the Credit Facility. At May 2, 2004, five of those guarantors have pledged approximately \$61.5 million of accounts receivable, other than those in the Securitization Program, as collateral for the guarantee obligations. Under certain circumstances, other subsidiaries of the Company also may be required to become guarantors under the Credit Facility. Subsequent to May 2, 2004, the Company borrowed two million British pounds (\$3.6 million) under this facility.

### Summary

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The Company believes that its current financial position, working capital,

future cash flows from operations, credit lines and accounts receivable Securitization Program are sufficient to fund its presently contemplated operations and satisfy its debt obligations through the remainder of fiscal 2004 and fiscal year 2005.

#### New Accounting Pronouncements to be Effective in Fiscal 2004

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In December 2003, the FASB revised FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46") which provides new guidance with respect to the consolidation of all previously unconsolidated entities, including special purpose entities. The Company has no unconsolidated subsidiaries. The provisions of FIN 46 that were adopted by the Company through May 2, 2004 did not have an impact on the Company's consolidated financial position and results of operations.

#### Related Party Transactions

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During the first seven months of fiscal 2004, the Company paid \$0.5 million to the law firm of which Lloyd Frank, a director, is a member, primarily for services rendered and expenses reimbursed.

The Company rents approximately 2,600 square feet (previously 2,500 square feet) of office space to a corporation owned by Steven A. Shaw, an officer and director, in the Company's El Segundo, California facility, which the Company does not require for its own use, on a month-to-month basis at a rental of \$1,750 per month (previously \$1,500 per month), effective March 1, 2004. Based on the nature of the premises and a recent market survey conducted for the Company, the Company believes the rent is the fair market rental for such space.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential economic loss that may result from adverse changes in the fair value of financial instruments. The Company's earnings, cash flows and financial position are exposed to market risks relating to fluctuations in interest rates and foreign currency exchange rates. The Company has cash and cash equivalents on which interest income is earned at variable rates. The Company also has credit lines with various domestic and foreign banks, which provide for borrowings and letters of credit, as well as a \$150 million accounts receivable securitization program to provide the Company with additional liquidity to meet its short-term financing needs.

The interest rates on these borrowings and financing are variable and, therefore, interest and other expense and interest income are affected by the general level of U.S. and foreign interest rates. Based upon the current levels of cash invested, notes payable to banks and utilization of the securitization program, on a short-term basis, as noted below in the tables, a hypothetical 100-basis-point (1%) increase or decrease in interest rates would decrease its annual net interest expense and securitization costs by \$89,000 and \$118,000, respectively.

The Company has a term loan, as noted in the table below, which consists of borrowings at fixed interest rates, and the Company's interest expense related to these borrowings is not affected by changes in interest rates in the near term. The fair value of the fixed rate term loan was approximately \$15.1 million at May 2, 2004. This fair value was calculated by applying the appropriate fiscal year-end interest rate supplied by the lender to the Company's present stream of loan payments.

The Company holds short-term investments in mutual funds for the Company's deferred compensation plan. At May 2, 2004, the total market value of these investments was \$4.2 million, all of which are being held for the benefit of participants in a non-qualified deferred compensation plan with no risk to the Company.

The Company has a number of overseas subsidiaries and is, therefore, subject to exposure from the risk of currency fluctuations as the values of foreign currencies fluctuate against the dollar, which may impact reported earnings. As

of May 2, 2004, the total of the Company's net investment in foreign operations was \$9.6 million. The Company attempts to reduce these risks by utilizing foreign currency option and exchange contracts, as well as borrowing in foreign currencies, to hedge the adverse impact on foreign currency net assets when the dollar strengthens against the related foreign currency. As of May 2, 2004, the total of the Company's foreign exchange contracts was \$8.3 million, leaving a balance of net foreign assets exposed of \$1.3 million. The amount of risk and the use of foreign exchange instruments described above are not material to the Company's financial position or results of operations and the Company does not use these instruments for trading or other speculative purposes. Based upon the current levels of net foreign assets, a hypothetical weakening or strengthening of the U.S. dollar against these currencies at May 2, 2004 by 10% would result in a pretax gain or loss of \$0.6 million and \$0.3 million, respectively, related to these positions.

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ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK -- Continued

The tables below provide information about the Company's financial instruments that are sensitive to either interest rates or exchange rates at May 2, 2004. For cash and debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For foreign exchange agreements, the table presents the currencies, notional amounts and weighted average exchange rates by contractual maturity dates. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency.

<TABLE>  
<CAPTION>

Interest Rate Market Risk Payments By Expected Maturity Dates as of May 2, 2004

	Total	Less than 1 year	1-3 Years	3-5 Years	After 5 Years
(Dollars in thousands of US\$)					
<b>Cash and Cash Equivalents</b>					
<S>	<C>	<C>	<C>	<C>	<C>
Money Market and Cash Accounts		\$ 62,919	\$62,919		
Weighted Average Interest Rate		0.67%	0.67%		
Total Cash & Cash Equivalents		\$ 62,919	\$62,919		
<b>Securitization Program</b>					
Accounts Receivable Securitization		\$ 50,000	\$50,000		
Finance Rate		1.73%	1.73%		
Securitization Program		\$ 50,000	\$50,000		
<b>Debt</b>					
Term Loan		\$ 14,287	\$ 386	\$873	\$1,029
Interest Rate		8.2%	8.2%	8.2%	8.2%
Notes Payable to Banks		\$ 3,997	\$ 3,997		
Weighted Average Interest Rate		7.23%	7.23%	--	--
Total Debt		\$ 18,284	\$ 4,383	\$873	\$1,029

</TABLE>

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ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK--Continued

<TABLE>

<CAPTION>

Foreign Exchange Market Risk -----	Contract Values			Fair Value (1)
	Total	Less than 1 Year		
-----	-----	-----	-----	-----
	(Dollars in thousands of US \$)			
Option Contracts -----				
<S>	<C>	<C>	<C>	
Euro to British Pounds Sterling Contractual Exchange Rate	\$ 898	\$ 898	\$ 898	\$14
	0.68	0.68		
British Pounds Sterling to U.S.\$ Contractual Exchange Rate	\$ 1,758	\$ 1,758		39
	1.76	1.76		
Canadian \$ to U.S.\$	\$ 2,067	\$ 2,067		29
Contractual Exchange Rate	1.45	1.45		
Total Option Contracts	\$ 4,723	\$ 4,723		82
Forward Contract -----				
British Pounds Sterling to U.S.\$	\$ 3,545	\$ 3,545		1
Contractual Exchange Rate	1.77	1.77		
Total Spot Sales	\$ 3,545	\$ 3,545		
Total Exchange Contracts	\$ 8,268	\$ 8,268		\$83

</TABLE>

(1) Represents the fair value of the foreign contracts at May 2, 2004.

#### ITEM 4 - CONTROLS AND PROCEDURES

##### Evaluation of disclosure controls and procedures

The Company carried out an evaluation of the effectiveness of the design and operation of its "disclosure controls and procedures," as defined in, and pursuant to, Rule 13a-15 of the Securities Exchange Act of 1934, as of May 2, 2004 under the supervision and with the participation of the Company's management, including the Company's Chairman of the Board, President and Principal Executive Officer and its Senior Vice President and Principal Financial Officer. Based on that evaluation, the Company's Chairman of the Board, President and Principal Executive Officer and its Senior Vice President and Principal Financial Officer concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company and its subsidiaries is made known to them on a timely basis.

##### Changes in internal controls

There were no significant changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### PART II - OTHER INFORMATION

##### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's 2004 Annual Meeting of shareholders held on April 9, 2004, shareholders:



(a) elected the following to serve as Class I directors of the Company until the 2006 Annual Meeting of the shareholders by the following votes:

	For ---	Vote Withheld -----
Lloyd Frank	12,415,501	1,532,457
Bruce G. Goodman	12,460,072	1,487,886
Mark N. Kaplan	13,243,309	704,649
Steven A. Shaw	12,630,563	1,317,395

(b) elected the following to serve as a Class II director of the Company until the 2005 Annual Meeting of the shareholders by the following vote:

	For ---	Vote Withheld -----
Theresa A. Havell	13,248,354	699,604

(c) ratified the action of the Board of Directors in appointing Ernst & Young LLP as the Company's independent public accountants for the fiscal year ending October 31, 2004 by the following vote:

For ---	Against -----	Abstain -----	Broker Non-Vote -----
13,742,508	186,515	18,535	400

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

(a) Exhibits:

##### Exhibit Description

- 
- 4.01 Amended and Restated Credit Agreement dated as of April 12, 2004 among Volt Information Sciences, Inc., Gatton Volt Consulting Group Limited, the guarantors party thereto, the lenders party thereto, and JP Morgan Chase Bank, as administrative agent.
  - 4.02 Second Amendment to Receivables Purchase Agreement dated as of March 31, 2004 among Volt Funding Corp., Three Rivers Funding and Volt Information Sciences, Inc.
  - 15.01 Report of Independent Registered Public Accounting Firm
  - 15.02 Consent of Independent Registered Public Accounting Firm
  - 31.01 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 31.02 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 32.01 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  - 32.02 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

During the quarter ended May 2, 2004, the Company filed two Reports on Form 8-K. The first dated March 9, 2004 (date of earliest event reported) reporting under Item 7, Financial Statements and Exhibits and Item 9 Regulation FD Disclosure and the second dated April 9, 2004 (date of earliest event reported) reporting under Item 7, Financial Statements and Exhibits and Item 9 Regulation FD Disclosure.

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: June 10, 2004

-----  
JACK EGAN  
Vice President - Corporate Accounting  
(Principal Accounting Officer)

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EXHIBIT INDEX  
-----

Exhibit  
Number Description  
-----

- 4.01 Amended and Restated Credit Agreement dated as of April 12, 2004 among Volt Information Sciences, Inc., Gatton Volt Consulting Group Limited, the guarantors party thereto, the lenders party thereto, and JP Morgan Chase Bank, as administrative agent.
- 4.02 Second Amendment to Receivables Purchase Agreement dated as of March 31, 2004 among Volt Funding Corp., Three Rivers Funding and Volt Information Sciences, Inc.
- 15.01 Report of Independent Registered Public Accounting Firm
- 15.02 Consent of Independent Registered Public Accounting Firm
- 31.01 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.02 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.01 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.02 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 4.01

-----  
AMENDED AND RESTATED  
CREDIT AGREEMENT

dated as of  
April 12, 2004  
among

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

The Lenders Party Hereto,

and

JPMORGAN CHASE BANK,  
as Administrative Agent

-----  
\$30,000,000 Revolving Credit Facility  
-----

JPMORGAN CHASE BANK, as Sole Lead Arranger and  
Sole Bookrunner

-----  
AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 12, 2004 among VOLT INFORMATION SCIENCES, INC. (the "Domestic Borrower"), a Delaware corporation, GATTON VOLT CONSULTING GROUP LIMITED ("Gatton"), a corporation organized under the laws of the United Kingdom, and any other Subsidiary Borrower (defined below) that hereafter becomes a party hereto, VOLT DELTA RESOURCES, INC., a Nevada corporation, DATANATIONAL OF GEORGIA, INC., a Georgia corporation, DATANATIONAL, INC., a Delaware corporation, VOLT DIRECTORIES S.A., LTD., a Delaware corporation, VOLT TELECOMMUNICATIONS GROUP, INC., a Delaware corporation, VOLT INFORMATION SCIENCES FUNDING, INC., a Delaware corporation, VMC CONSULTING CORP., a Delaware corporation, and any other Guarantor (defined below) that becomes a party hereto, the Lenders (defined below) party hereto, and JPMORGAN CHASE BANK, as Administrative Agent (defined below).

RECITALS  
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WHEREAS, the Domestic Borrower, Gatton, the Original Guarantors, the Lenders, and the Administrative Agent entered into a Credit Agreement dated as of April 12, 2002 (the "Existing Agreement");

WHEREAS, the Domestic Borrower, Gatton, the Original Guarantors, the Lenders and the Administrative Agent have agreed to amend and restate the Existing Agreement so as to, among other things, (a) decrease the amount of the revolving credit facility to \$30,000,000, (b) amend certain covenants and various other provisions of the Existing Agreement, and (c) release the Pledge

Agreement and Volt Security Agreement (as those terms are defined in the Existing Agreement) and add an additional Guarantor and Collateral Grantor Subsidiary; and

WHEREAS, the parties hereto intend that this Agreement and the documents executed in connection herewith will not effect a novation of the obligations of the Domestic Borrower, Gatton and the Original Guarantors under the Existing Agreement, but merely a restatement and, when applicable, an amendment of the terms governing such obligations; and

WHEREAS, 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, and the Guarantors are prepared to guaranty payment of the Borrowers' obligations to the Lenders, the Administrative Agent, and the Issuing Bank. 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 Existing Agreement is amended and restated in its entirety, and the parties hereto hereby agree as follows:

## ARTICLE I

### Definitions

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#### SECTION 1.01. Defined Terms.

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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 have the meaning assigned to the term "Accounts" under the Subsidiary Security Agreement.

"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.

"Adjusted Quick Ratio" means the ratio of: (x) (i) all accounts receivable that would be reflected on a consolidated balance sheet of the Domestic Borrower and its Subsidiaries on the date in question (including, whether or not otherwise included therein, all Securitization Receivables (Gross)), plus (ii) all cash and cash equivalents of the Domestic Borrower and its Subsidiaries on a consolidated basis, minus (iii) to the extent included in clause (x)(i) or (ii), all accounts receivable and cash of ProcureStaff and any other Paying Agency Company that is held for the benefit of any associate vendor other than Volt or one of Volt's other Subsidiaries; over (y) Current Liabilities (excluding all Associate Vendor Payables, to the extent included in Current Liabilities, other than those Associate Vendor Payables owing to the Domestic Borrower or a Subsidiary). (The calculation of accounts receivable for purposes of foregoing clause (x)(i) shall include a deduction from the gross amount thereof equal to the bad debt reserve (or equivalent) therefor also reflected on such balance sheet.)

"Administrative Agent" means JPMorgan Chase 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.

"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":

<TABLE>  
<CAPTION>

Ratio of Debt for Borrowed Money to		
EBITDA	Eurodollar/Eurocurrency Loan Spread	Facility Fee Rate
<S> > 2.5	<C> 117.5 bpts	<C> 35 bpts
-		
> 2.0 but < 2.5	87.5 bpts	30 bpts
-		
> 1.5 but < 2.0	77.5 bpts	27.5 bpts
-		
> 1.0 but < 1.5	67.5 bpts	25 bpts
-		
< 1.0	62.5 bpts	25 bpts

</TABLE>

At any time when (a) Fitch shall not rate the facility established under this Agreement and the other Credit Documents as BBB or better, and (b) neither Moody's nor S&P shall rate the facility established under this Agreement and the other Credit Documents as their respective equivalent of Fitch's BBB or better, the increases set forth on the grid below will apply to the Spreads and Fees set forth above. If more than one of Fitch, S&P and Moody's shall so rate the said facility, the higher (or highest) rating shall apply for purposes of the grid below. Notwithstanding anything to the contrary contained in this Agreement: (i) until the third Business Day after the Administrative Agent's receipt and acceptance of a new ratings letter for the facility established under this Agreement and the other Credit Documents and thereafter if a BBB- rating is indicated in such letter, such Spreads and Fees will be determined on the basis of a BBB- rating (as set forth below); and (ii) if the said new ratings letter indicates a change, the effect of such change will be implemented on the third

Business Day after such receipt and acceptance.

<TABLE>  
<CAPTION>

Rating	Eurodollar/Eurocurrency Loan Spread Increase	Facility Fee Rate Increase
BBB-	15 bpts	5 bpts
BB +	50 bpts	15 bpts
BB or lower	125 bpts	25 bpts

</TABLE>

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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 first quarter of fiscal 2004, was 2.06. Any changes in the Applicable Rate based upon the said 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 said leverage ratio will be deemed to be greater than 2.5.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Approved Securitization" means that certain securitization program established and maintained by the Domestic Borrower, the SPV and the Subsidiary Originators pursuant to the Securitization Documents with respect to accounts receivables generated by the staffing solutions business of the Domestic Borrower and certain of its Subsidiaries pursuant to which (x) the Domestic Borrower may sell, convey or otherwise transfer to the SPV any Securitization Assets and (y) the SPV may sell, convey or otherwise transfer to the Securitization Conduit the Securitization Assets (or an undivided percentage ownership interest therein) or may grant to the Securitization Conduit a security interest in the Securitization Assets (or such percentage ownership interest); provided, however, that

(i) no portion of the Securitization Debt or any other obligations (contingent or otherwise) of the SPV (1) is owed or guaranteed by the Domestic Borrower or its Subsidiaries (other than the SPV), excluding Standard Securitization Undertakings, (2) is recourse to or obligates the Domestic Borrower or its Subsidiaries (other than the SPV) for payment other than Standard Securitization Undertakings or (3) subjects any property or asset (other than the Securitization Assets) of the Domestic Borrower or of its Subsidiaries (other than the SPV), directly or indirectly, contingently or otherwise, to the satisfaction of obligations incurred in such transactions, other than pursuant to Standard Securitization Undertakings,

(ii) the Domestic Borrower and its Subsidiaries (other than the SPV) do not have any ongoing obligation to maintain or preserve the financial condition of the SPV or cause the SPV to achieve certain levels of operating results,

(iii) the aggregate principal amount of the Securitization Debt of the SPV arising in connection with the Approved Securitization shall not exceed \$150,000,000 at any time outstanding,

(iv) any promissory note received by the Domestic Borrower as consideration or as partial consideration for the sale of Securitization Assets shall be pledged in favor

of the Administrative Agent, who shall have at all times a first priority security interest in such note; and

(v) the Approved Securitization is administered in accordance with the Securitization Documents.

"Assignment and Assumption" means an assignment and assumption 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.

"Associate Vendor Payable" means any account payable owed by ProcureStaff or any other Paying Agency Company to any associate vendor (whether the Domestic Borrower, one of its Subsidiaries, or any other Person) that is not a Paying Agency Company arising from services performed or goods provided by such associate vendor to an end-use customer under an arrangement in which ProcureStaff or such other Paying Agency Company serves as paying agent for the related account receivable owing by such end-use customer to such associate vendor.

"Auction Rate Securities" shall mean auction rate securities issued with a rate reset mechanism and maximum term of 35 days.

"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, or (b) a Swingline Loan.

"Borrowing Base" shall mean, at the relevant time of reference thereto, an amount determined by the Administrative Agent by reference to the most recent Borrowing Base Certificate delivered to the Administrative Agent pursuant to Section 5.01(e) which is equal to (x) 80% of Eligible Group A Receivables and (y) 60% of Eligible Group B Receivables.

"Borrowing Base Certificate" shall mean a certificate signed by a Financial Officer certifying the amount of the Borrowing Base as of the date set forth therein, in substantially the form of Exhibit B hereto.

"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 Expenditures" shall mean any expenditure made by the expenditure of cash or the incurrence of Indebtedness in respect of the purchase or acquisition of any fixed or capital assets (excluding normal replacements and maintenance which are properly charged to current operations), including Capital Lease Obligations.

"Capitalization" means all Debt plus Consolidated Net Worth.

"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 or Swingline Loans.

"CLO" has the meaning assigned to such term in Section 9.04.

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

"Collateral" means, collectively, "Collateral" as defined in the Subsidiary Security Agreement, and all collateral pledged under any of the other Collateral Documents.

"Collateral Agent" means the Administrative Agent acting as "Collateral Agent" under the Collateral Documents.



"Collateral Documents" means the Subsidiary Security Agreement and any other instrument, document or agreement pursuant to which any Borrower or Guarantor grants any collateral to the Administrative Agent (as Collateral Agent or otherwise) or any of the Lenders as security for the obligations of the Borrowers or the Guarantors, or both, arising under this Agreement or any other Credit Document, and includes any financing statement or amendment thereof.

"Collateral Grantor Subsidiary" means any Subsidiary which is, at the time in question, a "Grantor" under the Subsidiary Security Agreement, including any Subsidiary which is required to join in the Subsidiary Security Agreement pursuant to Section 5.10.

"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 Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$30,000,000.

"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

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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.

"Consolidated Tangible Net Worth" means at any time as of which the amount thereof is to be determined: (x) owner's equity (determined on a consolidated basis in accordance with GAAP), including (without limitation) other comprehensive income; minus (y)(i) minority interest in Subsidiaries, and (ii) intangible assets. Clause (x) shall be determined excluding any net gains or net losses (after taxes), from and after the Effective Date, from non-operating sources.

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

"Credit Document" means each of (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, (iii) the Collateral Documents, and (iv) each instrument or agreement supplementing (by joinder or otherwise), modifying or amending, or waiving any provision of, any Credit Document.

"Current Field Exam" shall mean the field examination of the Collateral Grantor Subsidiaries' Accounts Receivable dated March, 2004, conducted at the request of the Administrative Agent and distributed to the Lenders prior to the Effective Date.

"Current Liabilities" at a particular date, shall mean (without duplication): (i) all Securitization Debt; (ii) all Indebtedness under this Agreement, any or all of the other Credit Documents and/or any Designated Swap Agreement; and (iii) all amounts which would, in conformity with GAAP, be

included under current liabilities on a consolidated balance sheet of the Domestic Borrower, as at such date, but in any event including, without limitation, the amounts of (a) Indebtedness payable on demand, or, at the option of the Person to whom such Indebtedness is owed, not more than 12 months after such date, (b) any payments in respect of any Indebtedness (whether installment, serial maturity, sinking fund payment or otherwise) required to be made not more than 12 months after such date, (c) all reserves in respect of liabilities or Indebtedness payable on demand or, at the option of the Person to whom such Indebtedness is owed, not more than 12 months after such date, the validity of which is not contested at such date, and (d) all accruals for federal or other taxes measured by income payable within a 12 month period. (The calculation of Indebtedness under Designated Swap Agreements in clause (ii) above shall be made after giving effect to any applicable netting agreements.)

"Customer" means and includes the account debtor with respect to any Account Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contact or other arrangement with a Collateral Grantor Subsidiary pursuant to which to which such Collateral Grantor Subsidiary is to deliver any personal property or perform any services.

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"Debt" means (without duplication) Debt for Borrowed Money reflected on the consolidated balance sheet of the Domestic Borrower, plus Securitization Debt.

"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) obligations under Swap Agreements, 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.

"Designated Swap Agreement" shall mean (i) any Swap Agreement permitted under Section 6.05, entered into between the Domestic Borrower and any Lender (as a swap counterparty) for the purpose of hedging currency exchange risk associated with the Domestic Borrower's foreign operations; and (ii) any other Swap Agreement permitted under Section 6.05, to which the Domestic Borrower is a party which, pursuant to a written instrument signed by the Required Lenders, has been designated as a Designated Swap Agreement, so that (in the case of both (i) and (ii)) the Domestic Borrower's counterparty thereunder will be entitled to share in the benefits of the Guaranty of Payment and the Collateral Documents, to the extent the Guaranty of Payment and Collateral Documents provide a guaranty or security for creditors of the Domestic Borrower under Designated Swap Agreements.

"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.

"EBIT" means, for any period, operating profit measured on the date of calculation with reference to the four most recently completed fiscal quarters.

"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 Group A Receivables" shall mean, collectively, the Eligible Receivables of Volt Delta Resources, Inc., Volt Telecommunications Group, Inc., and VMC Consulting Corp.

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"Eligible Group B Receivables" shall mean, collectively, the Eligible Receivables of DataNational, Inc. and DataNational of Georgia, Inc.

"Eligible Receivables" shall mean, subject to adjustment as set forth in the definition of the term "Borrowing Base", each Account Receivable arising in the ordinary course of business and constituting a portion of the "Collateral" as defined in the Subsidiary Security Agreement, which represents a bona fide sale; however, an Account Receivable shall not be deemed eligible if it meets the criteria in any of clauses (a) through (t) below (unless all Lenders give their express prior written consent to include such Account Receivable as an "Eligible Receivable"), or if such Account Receivable is not subject to the Collateral Agent's first priority perfected security interest and to no other Lien (other than a Permitted Encumbrance), or if the same is not evidenced by an invoice, bill of lading or other documentary evidence satisfactory to the Administrative Agent. As stated above, an Account Receivable shall not be an Eligible Receivable, if:

(a) it arises out of a sale made to: (i) the Domestic Borrower or any Affiliate of the Domestic Borrower; or (ii) a Person that is an employee, officer, agent or 10% stockholder (or members or other holders of Equity Interests, in the case of a Person which is not a corporation or a natural person) of the Domestic Borrower or any Affiliate of the Domestic Borrower;

(b) it is due or unpaid more than ninety (90) days after the original due date thereof, or to the extent of any net credit balance thereunder which is more than ninety (90) days old;

(c) fifty percent (50%) or more of the total Account Receivables from the Customer are not deemed Eligible Receivables hereunder (such percentage may, in Administrative Agent's sole discretion, be increased or decreased from time to time);

(d) [intentionally omitted];

(e) the Customer shall (i) apply for, suffer, or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or call a meeting of its creditors, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief of debtors, (vii) acquiesce to, or failed to have dismissed, any petition which is filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;

(f) the sale is to a Customer not incorporated under the laws of the United States or of any state or other political subdivision thereof, or is located outside the United States of America, unless the sale is on letter of credit, guaranty or acceptance

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terms, in each case acceptable to the Administrative Agent, in its sole discretion, or is not payable in Dollars;

(g) the sale to the Customer is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment or any other repurchase or return basis or is evidenced by chattel paper;

(h) [intentionally omitted];

(i) the Customer is the United States of America, any State or any department, agency or instrumentality of any of them, unless the Collateral Grantor Subsidiary in question effectuates an assignment of its right to payment of such Account Receivable to the Administrative Agent pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. Sub-Section 3727 et seq. and 41 U.S.C. Sub-Section 15 et seq.) or, where the Customer is not the United States of America or any department, agency or instrumentality thereof (other than a State), the Collateral Grantor Subsidiary in question has otherwise complied with all other applicable statutes or ordinances so as to render the assignment of the Account Receivable in question complete and not subject to offset (or equivalent) by such State or the Customer;

(j) the goods giving rise to such Account Receivable have not been shipped and delivered to and accepted by the Customer, or the services giving rise to such Account Receivable have not been performed by the applicable Collateral Grantor Subsidiary and accepted by the Customer, or the Account Receivable otherwise does not represent a final sale;

(k) [intentionally omitted];

(l) the Account Receivable is subject to any offset, deduction, defense, dispute, co-op advertising, counterclaim or rebate, or the Account Receivable is contingent in any respect or for any reason;

(m) the applicable Collateral Grantor Subsidiary has made any agreement with the Customer for any deduction from such Account Receivable, except for discounts, returns, credits, price adjustments or other allowances made in the ordinary course of business for prompt payment, all of which discounts, returns, credits, price adjustments or other allowances are reflected in the calculation of the face value of each respective invoice related thereto;

(n) any return, rejection or repossession of 5% or more of the goods relating to such Account Receivable has occurred;

(o) the applicable Collateral Grantor Subsidiary (or the Domestic Borrower, as collection agent) is not sole payee and sole remittance party, or such Account Receivable is not payable entirely to the applicable Collateral Grantor Subsidiary (or such

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collection agent) (whether by virtue of any rights of the account creditor under any Associate Vendor Payable, or otherwise);

(p) the Account Receivable is subject to any adverse security deposit, retainage or other similar advance made by or for the benefit of the Customer, in each case to the extent thereof;

(q) cash has been received in respect of such Account Receivable that has not yet been applied by the applicable Collateral Grantor Subsidiary (or collection agent) to reduce the amount of such Account Receivable, to the extent of such cash;

(r) the applicable Collateral Grantor Subsidiary does not have sole lawful and absolute title to such Account Receivable;

(s) inclusion of the applicable Account Receivable would cause the total Eligible Receivables with respect to the applicable Customer and its Affiliates, in the aggregate, to exceed 20% of the total of all Eligible Receivables at the time in question (it being understood that

only the portion of such Account Receivable that would cause such excess is excluded hereby); or

(t) such Account Receivable is not otherwise satisfactory to the Administrative Agent, as determined in good faith by the Administrative Agent in the exercise of its discretion in a reasonable manner.

"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.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

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"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.

"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

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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).

"Existing Agreement" - see recitals.

"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 Ratings.

"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

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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 the Guaranty of Payment, but shall not include endorsements for collection or deposit in the ordinary course of business.

"Guarantors" means, collectively, Volt Delta Resources, Inc., a Nevada corporation, DataNational, Inc., a Delaware corporation, Volt Information Sciences Funding, Inc., a Delaware corporation, Volt Directories S.A., Ltd., a Delaware corporation (formerly known as Volt-Autologic Directories S.A., Ltd.), Volt Telecommunications Group, Inc., a Delaware corporation, DataNational of Georgia, Inc., a Georgia corporation, VMC Consulting Corp., a Delaware corporation, and every other domestic Subsidiary required to become a Guarantor under Section 5.10 or Section 2.20.

"Guaranty of Payment" means the Amended and Restated 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.

"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.

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"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 Expense" means, for any period, the sum of interest charges plus Securitization Expense.

"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, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means, 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; 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 JPMorgan Chase 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

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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 Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. 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. In



the event that the rate set forth above is at any time not available for any reason with respect to any Eurodollar Borrowing, then the "LIBO Rate" with respect to such Eurodollar Borrowing for the applicable Interest Period, shall be the rate (rounded upwards, if necessary, to the next 1/16th of 1%) 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.

"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 Swap Agreements, of any one or more of the Domestic Borrower and its Subsidiaries in an aggregate

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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 Swap 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 Swap 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 April 11, 2005.

"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.

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

"Original Guarantors" means, collectively, Volt Delta Resources, Inc., a Nevada corporation, DataNational, Inc., a Delaware corporation, Volt Information Sciences Funding, Inc., a Delaware corporation, Volt Directories S.A., Ltd., a Delaware corporation (formerly known as Volt-Autologic Directories S.A., Ltd.), Volt Telecommunications Group, Inc., a Delaware corporation, and DataNational of Georgia, Inc., a Georgia corporation.

"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.

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

"Paying Agency Company" means a Subsidiary whose principal business is the same as ProcureStaff's, namely, acting as a paying agent, whether conducted directly or subcontracted to another Paying Agency Company.

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

"Permitted Encumbrances" means:

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

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(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;

(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; and

(f) Liens, to the extent part of the Securitization Transactions, on (i) accounts receivable originated from the staffing solutions business of the Domestic Borrower and the Subsidiary Originators, and (ii) the Receivable Related Assets, provided however, that the maximum Indebtedness secured by any such Liens shall not exceed \$150,000,000 in the aggregate at any one time outstanding (exclusive of "Deferred Purchase Price", as that term is defined in Section 5.06 of the Receivables Purchase Agreement);

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness, unless the encumbrance in question arises under a Collateral Document or pursuant to the Securitization Documents.

"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;

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(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;

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's, and (iii) have portfolio assets of at least \$5,000,000,000.; and

(f) Auction Rate Securities that are rated AAA by S&P and Aaa by Moody's.

"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 JPMorgan Chase 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.

"ProcureStaff" means ProcureStaff, Ltd., a Delaware corporation.

"ProcureStaff Quick Ratio" means the ratio of (x) all accounts receivable of (i) ProcureStaff plus (ii) each other Paying Agency Company to (y) their aggregate Associate Vendor Payables. However, accounts receivable arising between two Paying Agency Companies, shall be excluded from the foregoing.

"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.

"Receivables Purchase Agreement" has the meaning set forth in the definition of Securitization Documents in this Section 1.01.

"Receivable Related Assets" means, in respect of any accounts receivable transferred by the Domestic Borrower to the SPV, (i) any rights or interests arising under the documentation governing or relating to such accounts receivable (including rights in respect of Liens securing such accounts

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receivable and other credit support in respect of such accounts receivable), (ii) any proceeds of such accounts receivable and (iii) all books and records related to such accounts receivable.

"Receivables Sale Agreement" has the meaning set forth in the definition of Securitization Documents in this Section 1.01.

"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.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in 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 Equity Interests in the Domestic Borrower or of any option, warrant or other right to acquire any such Equity Interests in 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.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

"Securitization Assets" means (i) all accounts receivable which are described as being or to be transferred by the Domestic Borrower or any of its Subsidiaries to the SPV pursuant to any of the Securitization Documents, (ii) all Receivables Related Assets and (iii) all collections (including recoveries) and other proceeds of the assets described in the foregoing clauses (i) and (ii).

"Securitization Conduit" means Three Rivers Funding Corporation or a successor or replacement conduit which purchases (from the SPV) accounts receivable (or undivided percentage ownership interests therein) under the Approved Securitization.

"Securitization Debt" means all monetary obligations of the SPV arising in connection with the Approved Securitization (other than any such obligation in respect of interest, fees, indemnification or other similar obligations, and "Deferred Purchase Price" as defined in Section 5.06 of the Receivables Purchase Agreement).

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"Securitization Documents" means, collectively, (i) that certain Receivables Sale and Contribution Agreement, dated as of April 12, 2002 between the Domestic Borrower and the SPV (the "Receivables Sale Agreement"), (ii) that certain Receivables Purchase Agreement, dated as of April 12, 2002, as amended by a First Amendment to Receivables Purchase Agreement dated as of June 3, 2002 and by a Second Amendment to Receivables Purchase Agreement dated as of March 31, 2004 among the Domestic Borrower, the SPV and the Securitization Conduit (the "Receivables Purchase Agreement"), and (iii) each other instrument, agreement and other document entered into by the Domestic Borrower or its Subsidiaries (including the SPV) under which the Approved Securitization is established or maintained. In each case, references to any or all of the foregoing documents shall include the same as amended, modified or supplemented from time to time, to the extent that such amendments, modifications or supplements are made in accordance with the terms of this Agreement.

"Securitization Expense" means the "Cost of Funds" and the "Program Fees" under (and as each is defined in) the Receivables Purchase Agreement.

"Securitization Receivables (Gross)" means, at any time, the aggregate amount of outstanding accounts receivable sold, contributed or otherwise transferred by the Domestic Borrower or a Subsidiary Originator to the SPV as part of the Approved Securitization, without deduction for any undivided percentage ownership interest that the Securitization Conduit may have therein pursuant to the Approved Securitization.

"Securitization Transactions" means the transactions constituting the Approved Securitization, as contemplated by the Securitization Documents, including (among other things): (i) the sale, conveyance or other transfer by a Subsidiary Originator, directly or indirectly to the Domestic Borrower or the SPV, of accounts receivable to be included in the Securitization Receivables

(Gross), whether as a true sale, dividend or distribution, or otherwise, and including any "back-up" Lien thereon; (ii) the sale, conveyance or other transfer by the Domestic Borrower of accounts receivable originated by the Domestic Borrower or any Subsidiary Originator to the SPV to be included in the Securitization Receivables (Gross), whether as a true sale, capital contribution, or otherwise, and including any "back-up" Lien thereon; (iii) the sale, conveyance or other transfer by the SPV to the Securitization Conduit of the Securitization Receivables (Gross), or of an undivided percentage ownership interest therein, whether as a true sale or otherwise, and including any "back-up" Lien thereon; in each case howsoever characterized, including among other things, any Indebtedness that arises in connection with any such transfers (whether as deferred purchase price or otherwise, and whether or not evidenced by a promissory note) or that could exist were any such transfer to be characterized by a court as the grant of a Lien to secure Indebtedness.

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

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

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"SPV" means Volt Funding Corp., a Delaware special purpose corporation, or any successor or replacement special purpose entity which sells accounts receivable (or undivided percentage ownership interests therein) that (i) is a direct or indirect wholly-owned Subsidiary of the Domestic Borrower and (ii) was created for the sole purpose of acquiring the Securitization Assets pursuant to the Approved Securitization.

"Standard Securitization Undertakings" means representations, warranties, covenants and indemnities entered into by the Domestic Borrower (in any capacity) or its Subsidiaries (other than the SPV) that are reasonably customary in accounts receivable securitization transactions, as reasonably determined by the Administrative Agent.

"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.

"Subsidiary Originator" means a Subsidiary whose accounts receivable are transferred, directly or indirectly, to the SPV in conjunction with the Approved Securitization.

"Subsidiary Originator Holding Company" means a Subsidiary whose only assets are the Equity Interests it owns in a Subsidiary Originator.

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"Subsidiary Security Agreement" shall mean the Amended and Restated Subsidiary Security Agreement made, as of the Effective Date, by the Collateral Grantor Subsidiaries in favor of the Collateral Agent, as the same may be joined in, supplemented, amended or otherwise modified pursuant to Section 2.20 or Section 5.10, or otherwise.

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock, stock appreciation right (SAR), stock option or similar plan or agreement providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Domestic Borrower or one or more of the Subsidiaries shall be a Swap Agreement.

"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 JPMorgan Chase Bank, in its capacity as lender of Swingline Loans hereunder.

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

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

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

"Transactions" means the execution, delivery and performance by the Borrowers and the Guarantors (as applicable) of this Agreement, each of the other Credit Documents, the borrowing of Loans, the use of the proceeds thereof, the issuance of Letters of Credit hereunder, the guaranteeing of the Indebtedness incurred hereunder, and the granting of the Liens on the Collateral under the Subsidiary Security Agreement.

"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 or the Alternate Base Rate; and (ii) the currency in which such Loan or the Loans comprising such Borrowing are denominated.

"UCC" means the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of the Collateral Agent's security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the

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Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such

terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02 Classification of Loans and Borrowings.  
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For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03 Terms Generally.  
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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.

SECTION 1.04 Accounting Terms; GAAP.  
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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

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accordance herewith. Whether or not indicated in the defined terms employed therein, all calculations of financial covenants under Section 6.10 (except for clause (d) thereof) will be made with reference to the consolidated results for the Domestic Borrower and the Subsidiaries as of the date or for the period in question.

Article II

The Credits  
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SECTION 2.01 Commitments.  
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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 the lesser of (i) such Lender's Commitment, or (ii) an amount equal to the product of the Borrowing

Base, multiplied by a fraction, the numerator of which is such Lender's Commitment and the denominator of which is the total of all of the Commitments; (b) the sum of the total Revolving Credit Exposures exceeding \$30,000,000; or (c) the aggregate principal amount of Loans outstanding to the Subsidiary Borrowers in the aggregate exceeding \$25,000,000. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

#### SECTION 2.02 Loans and Borrowings.

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(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. 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 of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans, Eurodollar Loans or Eurocurrency 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 \$25,000,000. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan or Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$500,000 and not less than \$2,000,000. At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate amount which is an integral multiple (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 (i) that is equal to the entire unused balance of the total Commitments, or (ii) that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e); provided further that, in

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the case of either (i) or (ii), the total Revolving Credit Exposures, after giving effect to such Borrowing will not exceed the lesser of the Borrowing Base or the total Commitments. 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 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 six (6) Eurodollar Revolving Borrowings and Eurocurrency Revolving Borrowings outstanding.

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

#### SECTION 2.03 Requests for Revolving Borrowings.

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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:

(i) the amount of the Borrowing Base as set forth in the most recent Borrowing Base Certificate submitted pursuant to Section 5.01(e);

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

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

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

(v) 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

(vi) 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.

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

SECTION 2.04 [Intentionally omitted]

SECTION 2.05 Swingline Loans.

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(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Domestic Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$7,500,000, or (ii) the sum of the total Revolving Credit Exposures exceeding the lesser of the Borrowing Base or the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Domestic Borrower may borrow, prepay and reborrow Swingline Loans.

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

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby

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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; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Domestic Borrower for any reason. 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.

SECTION 2.06. Letters of Credit.

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(a) General.

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

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

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Conditions.  
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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 teletype (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, whether or not such Letter of Credit is to be a standby Letter of Credit, 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 \$15,000,000 (which may consist of documentary letters of credit and/or standby letters of credit, except that not more than \$10,000,000 in standby Letters of Credit may be used to secure payment of worker's compensation insurance premiums), and (ii) the sum of the total Revolving Credit Exposures shall not exceed the lesser of the Borrowing Base or 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.

(c) Expiration Date.  
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Subject to the portion of this paragraph (c) which follows the first sentence hereof, each Letter of Credit shall expire at or prior to the close of business on the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, up to one year after such renewal or extension). Any Letter of Credit may provide for the automatic renewal thereof for additional one year periods (or for shorter periods) unless prior to the then currently stated expiration date of such Letter of Credit the Issuing Bank sends the beneficiary of such Letter of Credit notice of the Issuing Bank's election not to renew such Letter of Credit for any additional period (which notice of nonrenewal shall not be sent without the Domestic Borrower's consent unless a Default or Event of Default shall have occurred and be continuing). However, if the automatic renewal of such a Letter of Credit would occur (absent notice of nonrenewal) on the Maturity Date (as extended, if extended) or within 60 days prior thereto, and such renewal would cause the expiration date of such Letter of Credit to fall after the Maturity Date (as extended, if extended), then at least 60 days prior to the (then) Maturity Date, the Domestic Borrower shall provide the Administrative Agent with cash collateral acceptable to the Administrative Agent, in its sole discretion, so as to fully secure the LC Exposure represented by such Letter of Credit plus all accrued and unpaid fees thereon. If such cash collateral has been provided as and when required above, the Issuing Bank shall not send a notice of nonrenewal with respect to such expiring Letter of Credit unless a Default or Event of Default shall have occurred and be continuing (in which case the decision as to whether or not to send such notice, with or without the timely posting of such cash collateral, shall, subject to the penultimate sentence of this paragraph (c), require the written approval of the Required Lenders and the Issuing Bank). If a Letter of Credit either does not contain such an automatic renewal provision or the automatic renewal thereof would occur more than 60 days prior to the (then) Maturity Date, and the Letter of Credit either has an expiration date which falls after the (then) Maturity Date (as extended, if extended) or the automatic renewal thereof would cause it to have an expiration date after the (then) Maturity Date, then at least 60 days prior to the (then)

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Maturity Date the Domestic Borrower shall provide the Administrative Agent with cash collateral acceptable to the Administrative Agent, in its sole discretion, so as to fully secure the LC Exposure represented by such Letter of Credit plus all accrued and unpaid fees thereon. If cash collateral has been provided as and when required by the foregoing sentence, the Issuing Bank shall not send a notice of nonrenewal with respect to any such expiring Letter of Credit which contains an automatic renewal clause unless a Default or Event of Default shall have occurred and be continuing (in which case the decision as to whether or not to send such notice, with or without the timely posting of such cash collateral, shall, subject to the penultimate sentence of this paragraph (c), require the written approval of the Required Lenders and the Issuing Bank). The provisions of paragraph (j) of this Section 2.06 shall apply, mutatis mutandis, to the deposit and the maintenance of an account with respect to, and the application of, all cash collateral contemplated by this paragraph (c). Nothing in this paragraph (c) shall be construed to obligate the Issuing Bank or any Lender (i) to permit any automatic renewal of a Letter of Credit to occur later than April 11, 2005, regardless of the existence of cash collateral therefor or any other fact or circumstances, or (ii) to approve any extension of the current (April 11, 2005) Maturity Date. Moreover, notwithstanding the release of any other Collateral pursuant to the terms of any Collateral Document or by separate agreement in accordance with Section 9.02(b), cash collateral posted pursuant to this paragraph (c) shall not be released, prior to the indefeasible satisfaction of the obligations of the Domestic Borrower which are secured thereby, except upon the express written agreement of the Issuing Bank and all of the Lenders.

(d) Participations.  
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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 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 (A) each LC Disbursement made by the Issuing Bank and not reimbursed (i) by the Domestic Borrower on the date due as provided in paragraph (e) of this Section, (ii) in the case of a Letter of Credit drawn upon after the Maturity Date (as extended, if extended), as provided under an agreement or application therefor referred to in paragraph (a) of this Section, or (iii) by the application of cash collateral provided for under this Section 2.06, and (B) 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

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shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement.  
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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.

(f) Obligations Absolute.

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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, the 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.

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

(h) Interim Interest.  
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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

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(e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank.  
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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.

(j) Cash Collateralization.  
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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

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cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Domestic Borrower within three Business Days after all Events of Default have been cured or waived.

#### SECTION 2.07 Funding of Borrowings.

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(a) 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; provided that 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.

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

#### SECTION 2.08 Interest Elections.

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

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(b) To make an election pursuant to this Section, the applicable Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by such Borrower.

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

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

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

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

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

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

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

(e) If a Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Revolving Borrowing 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

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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.

#### SECTION 2.09 Termination and Reduction of Commitments.

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



the Maturity Date.

(b) 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 would exceed the total Commitments.

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

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

SECTION 2.10 Repayment (or Prepayments) of Loans; Evidence of Debt.  
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(a) 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, or sooner to the extent required under paragraph (f) of this Section 2.10, 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, or sooner to the extent required under paragraph (f) of this Section 2.10, the then unpaid principal amount of each Revolving Loan made to the Domestic Borrower, and (ii) 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, or sooner to the extent required paragraph (f) of this Section 2.10; provided that on each date that a Revolving Borrowing is made, the Domestic Borrower shall repay all Swingline Loans then outstanding.

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

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

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

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

(f) If, following any reduction in the Commitments or at any other time

when the aggregate amount of the Revolving Credit Exposures shall exceed the lesser of (x) the total Commitments or (y) the Borrowing Base, the Domestic Borrower shall be required to immediately pay to the Administrative Agent the amount of such excess. Such payment shall be applied as set forth in Section 2.11(c).

SECTION 2.11 Voluntary and Mandatory Prepayment of Loans.  
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(a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The applicable Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by teletype) 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

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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.

(c) Mandatory prepayments made pursuant to Section 2.10(f) shall be paid to the Administrative Agent for the account of the Lenders and, if applicable, the Issuing Bank as hereinafter provided. The Domestic Borrower shall be entitled to designate the order (of Borrowings) in which any mandatory prepayment required pursuant to Section 2.10(f) shall be applied. 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.

SECTION 2.12 Fees.  
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(a) The Domestic Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Domestic Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, (A) which shall accrue in the case of a standby Letter of Credit, at the same Applicable Rate used to determine the

interest rate applicable to 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

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the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) [Intentionally omitted].

(d) The Borrowers agree to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon among the Borrowers and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

#### SECTION 2.13 Interest.

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

(b) The Loans comprising each Eurodollar Borrowing and Eurocurrency Borrowing shall bear interest 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.

(c) [Intentionally omitted]

(d) 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.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan or Eurocurrency Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the

effective date of such conversion.

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(f) 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.

SECTION 2.14 Alternate Rate of Interest  
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If prior to the commencement of any Interest Period for a Eurodollar Borrowing or a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period;

(b) the Administrative Agent is advised by the Required Lenders 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

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

then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy 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, and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing or a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15 Increased Costs.  
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(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

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and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan or Eurocurrency Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank, as the case may be, for such additional costs

incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies the Borrowers of the 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.

#### SECTION 2.16 Break Funding Payments.

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In the event of (a) the payment of any principal of any Eurodollar Loan or Eurocurrency 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 Eurodollar Loan or Eurocurrency Loan on the date specified in any notice delivered pursuant hereto, or (d) the assignment of any Eurodollar Loan or Eurocurrency Loan other than on the last day of the Interest Period

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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.

#### SECTION 2.17 Taxes.

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(a) Any and all payments by or on account of any obligation of any Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if a Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

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

(c) The Borrowers shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of any Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender or the Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Borrowers shall deliver to the Administrative Agent the original or a certified copy of a

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receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by such Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by a Borrower, or with respect to which a Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant governmental Authority with respect to such refund); provided, that such Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

SECTION 2.18 Payments Generally; Pro Rata Treatment; Sharing of

Set-offs.  
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(a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, local time, at the place of payment, on the date when due, in the currency in which such Loan was made and in federal funds or such other immediately available funds as may be customary for the settlement of international transactions in the relevant currency at such place, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent to such account as the Administrative Agent shall have specified and, unless and until otherwise specified, all such payments payable in dollars shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that 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

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Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrowers or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the applicable Borrower will not make such payment, the Administrative Agent may assume that the applicable Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the

Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if 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

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to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

#### SECTION 2.19 Mitigation Obligations; Replacement of Lenders.

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(a) If any Lender requests compensation under Section 2.15, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if 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 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, 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 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.

#### SECTION 2.20 Subsidiary Borrowers.

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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 in which the Domestic Borrower directly or indirectly owns Equity

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Interests representing more than 75% of all Equity Interests 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, including a joinder in the Subsidiary Security Agreement where such Subsidiary would be required to do so under the last sentence of Section 5.10. In the event of such joinder in the Subsidiary Security Agreement, the Subsidiary Borrower's obligations as a co-borrower hereunder shall also be secured by the Subsidiary Security Agreement.

### ARTICLE III

#### Representations and Warranties

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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:

#### SECTION 3.01 Organization; Powers.

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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. The Delaware corporation known as Volt Delta Resources, Inc., as in existence prior to the Effective Date, has been merged into the Nevada corporation of the same name, which Nevada corporation is a Guarantor.

#### SECTION 3.02 Authorization; Enforceability.

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The Transactions are within the Borrowers' and the Guarantors' corporate and limited liability company (as applicable) powers and have been duly authorized by all necessary corporate and, if required, stockholder or member action. This Agreement has been duly executed and delivered by the Borrowers and the Guarantors, and constitutes a legal, valid and binding

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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.

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

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The Transactions: (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect, and (ii) such as may be necessary to perfect any Lien granted under the Subsidiary Security Agreement; (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 the SPV, 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 the SPV, 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 the SPV, Gatton and the Guarantors) except as permitted under Section 6.02.

#### SECTION 3.04 Financial Condition.

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(a) The Domestic Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended November 2, 2003, 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 February 2, 2004, certified by a Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Domestic Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) 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.

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

#### SECTION 3.05 Properties.

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(a) Each of the Domestic Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes. All material assets of the Domestic Borrower and of its Subsidiaries are free and clear of any Liens, except such as are permitted by Section 6.02. Neither the Domestic Borrower nor any Subsidiary

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is a party to any contract, agreement, lease or instrument (other than a Credit Document) the performance of which, either unconditionally or upon the happening of an event, will result in or require the creation of a Lien, on any of its property or assets, except as permitted by Section 6.02.

(b) Each of the Domestic Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Domestic Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

#### SECTION 3.06 Litigation and Environmental Matters.

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(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrowers 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.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Domestic Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 3.07 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.

SECTION 3.08 Investment and Holding Company Status; Federal

Reserve Regulations.

(a) 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.

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(b) 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.

SECTION 3.09 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.

SECTION 3.10 ERISA.

No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards

No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed by more than \$500,000 the fair market value of the assets of all such underfunded Plans. Neither any Borrower nor any ERISA Affiliate sponsors any employee welfare benefit plan (as defined in ERISA Section 3(1) ("Employee Welfare Benefit Plan")) which provides any post-retiree welfare benefits directly or through the purchase of insurance.

SECTION 3.11 Subsidiaries; Joint Ventures.  
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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 Equity Interests in 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 Equity Interests of the Domestic Borrower and any Subsidiary therein. Except as disclosed on Schedule 3.11, the Domestic Borrower has no Subsidiaries or investments as described above in, or joint ventures or partnerships with, any Person as of the Effective Date.

SECTION 3.12 Use of Proceeds.  
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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

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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).

SECTION 3.13 Labor Matters.  
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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).

SECTION 3.14 Solvency.  
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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 and, to the extent not otherwise included, Securitization Debt) 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).

SECTION 3.15 Disclosure.  
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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, the Guaranty of Payment or any of the Collateral Documents, 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.

SECTION 3.16 Offices.  
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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.

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SECTION 3.17 Paying Agency Company.  
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As of the Effective Date, there exists no Paying Agency Company other than ProcureStaff and Information Management Associates, Inc.

ARTICLE IV

Conditions  
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SECTION 4.01 Effective Date.  
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This Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received: (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 telecopy 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 and the Subsidiary Security Agreement signed on behalf of each such party, or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of one or more signed signature pages) that each such party has signed a counterpart of each such document.

(b) The Administrative Agent shall have received a favorable written opinion (addressed to, and reasonably acceptable to, the Administrative 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, the Collateral Documents and 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.

(c) 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 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

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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 (i) certified copies of documents confirming the merger referred to in Section 3.01, (ii) lien 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 Collateral Grantor Subsidiaries in the jurisdictions specified by the Administrative Agent, and (iii) 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.

(d) The Administrative Agent shall have received and approved (i) the financial statements described in Section 3.04, (ii) a Borrowing Base Certificate covering all Collateral Grantor Subsidiaries (including VMC Consulting Corp.) dated as of February 29, 2004 (which Certificate shall show a Borrowing Base of not less than the aggregate amount of the Revolving Credit Exposure immediately following the Borrowings made on the Effective Date), and (iii) a certificate dated February 29, 2004 showing the ProcureStaff Quick Ratio as of such date.

(e) The Administrative Agent (and each Lender requesting the same) shall have received and approved copies (which may be a conformed copies) of all organizational documents pertaining to the SPV and all material documents concerning the Approved Securitization (including any amendment to any of them and any rating letter from Fitch, Moody's or S&P).

(f) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Domestic Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(g) The Administrative Agent 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.

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(h) 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, an "up front" fee equal to the amount of such Lender's Commitment multiplied by 12.50 basis points.

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. However, if this Agreement has not become effective by 5pm (EDT) on April 19, 2004, it shall be null and void, unless such deadline is extended in a writing signed by all parties hereto.

#### SECTION 4.02 Each Credit Event.

In addition to the other conditions set forth in Article II (including compliance with Borrowing Base limitations, and Section 2.06 (c) as to Letter of Credit renewals and extensions), 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:

(a) The representations and warranties of the Borrowers and the Guarantors set forth in this Agreement, in any amendment to this Agreement and in any other Credit Document shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by each Borrower and each Guarantor on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

### ARTICLE V

#### Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, 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

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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:

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

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

(a) within 100 days after the end of each fiscal year of the Domestic Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst & Young LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Domestic Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Domestic Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the

fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Domestic Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Domestic Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.10 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) within 14 calendar days after the end of any calendar month, or (in the case of the Borrowing Base Certificate referred to below in this clause (e)) more frequently if requested by the Administrative Agent in its reasonable discretion, (i) a duly completed Borrowing Base Certificate showing the Borrowing Base (together with a summary by category of all ineligible Accounts

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Receivable) as of the immediately preceding fiscal (rather than calendar) month end (or such other interim dates as of which such Borrowing Base Certificate is delivered), (ii) an aging report with respect to all Accounts Receivable, in the form of Exhibit C hereto, providing an aging summary for each division or business segment in which a Collateral Grantor Subsidiary is situated; and (iii) a statement (in substantially the form of Exhibit D hereto) signed by a Financial Officer setting forth the calculation of the ProcureStaff Quick Ratio as of the end of such fiscal (rather than calendar) month;

(f) if and when obtained pursuant to Section 5.13, any new ratings letter from each of Fitch, Moody's and S&P, as applicable;

(g) in addition to any letters obtained pursuant to Section 5.13, promptly after Fitch, Moody's or S&P shall have announced a change in the rating of the facility established hereunder, written notice of such rating change;

(h) 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;

(i) 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;

(j) not later than 60 days after the end of each fiscal quarter, a summary aging report (in the form of Exhibit C), together with a specific listing and aging of each Account Receivable of \$10,000 or more;

(k) as soon as practicable after a good faith request therefor from the Administrative Agent, Accounts Receivable agings and related information whether or not of the type set forth in foregoing clauses (e)(ii) and (k).

(l) 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 (including the SPV), or any matter pertaining to the Approved Securitization or any Subsidiary



Originator, or compliance with the terms of this Agreement or any other Credit Document, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02 Notices of Certain Events.  
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The Borrowers and the Guarantors will furnish to the Administrative Agent, the Issuing Bank, and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the

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Domestic Borrower, Gaton, any Guarantor or any Affiliate of a Borrower (including the SPV or any Subsidiary Originator) that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Domestic Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;

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

(e) the formation or acquisition of any Material Subsidiary or any Paying Agency Company, or the acquisition of any material assets or business;

(f) the incurrence by any Subsidiary which is not a Guarantor of Intercompany Debt totaling \$5,000,000 or more in the aggregate, excluding the Securitization Transactions;

(g) 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;

(h) the occurrence of any "Potential Termination Event" or "Termination Event" under (and as defined in) any Securitization Document, whether or not resulting in a servicing transfer or the cessation of reinvestments by the Securitization Conduit;

(i) receipt by the Domestic Borrower, the SPV or any other Subsidiary of any notice pursuant to Section 10.02 (a) of the Receivables Purchase Agreement, or any notice pertaining to any expiration or termination of any "Liquidity Agreement" or "Program Support Agreement", as those terms are defined in the Receivables Purchase Agreement; or

(j) the giving of any notice under Section 8.1 of the Receivables Sale Agreement.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Domestic Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03 Existence; Conduct of Business.  
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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.

SECTION 5.04 Payment of Obligations.  
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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

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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.

SECTION 5.05 Maintenance of Properties; Insurance.  
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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.

SECTION 5.06 Books and Records; Inspection Rights.  
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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.

SECTION 5.07 Compliance with Laws.  
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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.

SECTION 5.08 Use of Proceeds and Letters of Credit.  
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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.

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SECTION 5.09 Further Assurances.  
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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.

SECTION 5.10 Additional Guarantors.

(a) 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 either (x) have total assets with a fair market value of \$5,000,000 or more, or (y) be required to become a Collateral Grantor Subsidiary as set forth below in this paragraph (a), or (ii) any Subsidiary (now existing or hereafter formed or acquired, and irrespective of the amount of its total assets) shall become indebted in an aggregate principal amount of \$5,000,000 or more on account of Intercompany Debt, 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 shall first be required to become a Collateral Grantor Subsidiary as applicable; 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) unless the aggregate principal amount of its Intercompany Debt shall exceed \$12,500,000. In addition, if any Subsidiary of the type described in clause (i) above (including subclause (x) thereof) shall be (or would, in the good faith judgment of the Administrative Agent, ordinarily be) included within the Domestic Borrower's telephone directory segment, computer systems segment or telecommunications services segment, but is not then a Collateral Grantor Subsidiary, the Domestic Borrower shall simultaneously with such Subsidiary's becoming a "Guarantor" hereunder, cause such Subsidiary to become a Collateral Grantor Subsidiary by joining in the Subsidiary Security Agreement pursuant to documentation satisfactory to the Administrative Agent in its reasonable discretion.

(b) Foregoing paragraph (a) shall not apply in the case of the SPV, any Subsidiary Originator or any Subsidiary Originator Holding Company; provided however, in the event that (i) the Approved Securitization shall expire, terminate or otherwise cease to be in effect, or (ii) accounts receivable from (x) such Subsidiary Originator or (y) any other Subsidiary in the staffing solutions business shall cease to be sold, contributed or otherwise transferred into the SPV (pursuant to Section 5.11, or otherwise), then the Domestic

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Borrower shall (within 10 Business Days after the date that the events in items (i) or (ii) above first occur) cause each Subsidiary Originator and each Subsidiary Originator Holding Company that the Administrative Agent may specify to become a "Guarantor" hereunder and under the Guaranty of Payment pursuant to documentation reasonably satisfactory to the Administrative Agent.

SECTION 5.11 The Approved Securitization.

The Domestic Borrower, in its sole discretion, shall be entitled to continue or discontinue the Approved Securitization except to the extent that it is required to discontinue the same pursuant to this Section 5.11. The Domestic Borrower shall be required to cause the discontinuation of the Approved Securitization immediately upon the first to occur of: (x) the termination of the Securitization Conduit's obligation under the Securitization Documents to continue to make reinvestments in the Approved Securitization; or (y) notice from the Administrative Agent upon the occurrence of an Event of Default (which has not been cured or waived as of the date of such notice) to cause such discontinuation (but only to the extent discontinuation is then permitted under the Securitization Documents; otherwise, discontinuation shall occur as promptly thereafter as is permitted thereunder). Prior to the discontinuation of the Approved Securitization, the Domestic Borrower shall cause all or substantially all of the accounts receivable originated from the staffing solutions business

of the Domestic Borrower and its Subsidiaries to be sold, conveyed or otherwise transferred (directly, or indirectly through the Domestic Borrower) to the SPV as part of the Approved Securitization. It is understood and agreed that "discontinuation" of the Approved Securitization, as referenced in this Agreement, shall include within its meaning the termination of the obligation of the Securitization Conduit to purchase the "Participation Interest" or make "Reinvestments" (as those terms are defined in the Receivables Purchase Agreement), but shall not preclude the liquidation contemplated therein.

SECTION 5.12 Collateral Grantor Subsidiaries.  
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The Domestic Borrower shall maintain (or cause each Collateral Grantor Subsidiary to maintain) either (i) a separate bank account wherein the proceeds of such Collateral Grantor Subsidiary's Accounts Receivable are deposited, or (ii) records pertaining to a commingled account of the Domestic Borrower plainly identifying all monies belonging to each Collateral Grantor Subsidiary.

SECTION 5.13 New Ratings Letter.  
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The Domestic Borrower shall obtain from Fitch, Moody's and/or S&P any new ratings letter required by any of them, in accordance with their respective policies, in order to maintain a rating for the facility established under this Agreement and the other Credit Documents.

ARTICLE VI

Negative Covenants  
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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

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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:

SECTION 6.01 Indebtedness.  
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The Domestic Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

- (a) Indebtedness created hereunder, under the Guaranty of Payment or under any other Credit Document;
- (b) Securitization Debt and other Securitization Transactions (to the extent the same constitutes Indebtedness); provided however, the maximum amount of Securitization Debt permitted under this clause (b) shall not exceed \$150,000,000 in the aggregate at any one time outstanding;
- (c) advances from customers received in the ordinary course of business;
- (d) performance guaranties, trade guaranties, and bid guaranties of the performance of contractual obligations of wholly owned Subsidiaries of the Domestic Borrower; provided that such guaranties and contractual obligations arise in the ordinary course of business and that such contractual obligations are not on account of Debt for Borrowed Money;
- (e) other Indebtedness of the Domestic Borrower and the Subsidiaries constituting Intercompany Debt, in any amount subject to compliance with Section 5.10;
- (f) other Indebtedness existing on the Effective Date (and set forth in

Schedule 6.01(f)), of the Domestic Borrower and of the Subsidiaries to one or more other Persons (and including unused amounts under such credit facilities), and any and all extensions, renewals or replacements of any such Indebtedness, provided that the aggregate principal amount thereof (whether used or unused) is not increased;

(g) Guarantees by the Domestic Borrower of Indebtedness of the Subsidiaries, except to the extent such (Subsidiary) Indebtedness otherwise would be prohibited under this Agreement;

(h) other Indebtedness of the Domestic Borrower, excluding Debt for Borrowed Money; and

(i) other Indebtedness of the Domestic Borrower and the Subsidiaries not exceeding an aggregate principal amount of \$5,000,000 at any time

SECTION 6.02 Liens; Certain Asset Sales.  
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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

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owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) any Lien securing the Indebtedness permitted under clause (a) of Section 6.01;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of the Domestic Borrower or any Subsidiary existing on the Effective Date 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 said date;

(d) Liens securing Subsidiary Indebtedness permitted under clause (f) of Section 6.01;

(e) (i) subject to Section 5.11, sales, conveyances and other transfers of accounts receivable and Receivable Related Assets (or of undivided percentage ownership interests therein) originated from the staffing solutions business of the Domestic Borrower and the Subsidiary Originators to the extent constituting Securitization Transactions; and (ii) sales, conveyances and other transfers of accounts receivables from the Domestic Borrower to a Guarantor that is not then a Subsidiary Originator, from any Guarantor that is not a Collateral Grantor Subsidiary to the Domestic Borrower, from a Subsidiary Originator to the Domestic Borrower or a Guarantor or another Subsidiary Originator, or from a Collateral Grantor Subsidiary to another Collateral Grantor Subsidiary, or as otherwise permitted in the following proviso; provided that Accounts Receivable may only be sold, conveyed or transferred into or among Collateral Grantor Subsidiaries or to another Subsidiary of the Domestic Borrower in connection with such Subsidiary becoming a Collateral Grantor Subsidiary; and

(f) Liens arising by operation of law or contract, securing Associate Vendor Payables.

SECTION 6.03 Fundamental Changes.  
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(a) The Domestic Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Subsidiary 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; provided, however, that if any assets (constituting Collateral) of any of the Collateral Grantor Subsidiaries will be sold, assigned, transferred or

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otherwise disposed of in any way by virtue of any of the actions otherwise permitted under any of the foregoing clauses (i) through (iv), the parties to such merger or other such action shall notify the Administrative Agent and shall take all steps reasonably required by the Administrative Agent to preserve the Collateral Agent's first priority perfected security interest in all such Collateral, prior to consummation of such action.

(b) The Domestic Borrower will not, and will not permit any Subsidiary to, sell, transfer, lease (as lessor) or otherwise dispose of (in one transaction or in any series of transactions) Equity Interests in any Subsidiary (whether owned on the Effective Date or thereafter acquired), or other assets of any kind, except for the following:

- (i) sales of inventory in the ordinary course of business;
- (ii) sales, conveyances and other transfers of accounts receivable permitted under Section 6.02(e);
- (iii) transactions permitted under subsection (a) of this Section;
- (iv) sales of obsolete equipment and other fixed assets sold in the normal course of business, provided that the net proceeds thereof are applied to the acquisition by the Domestic Borrower or a Subsidiary of operating assets used in the normal course of their business within 180 days from the date thereof (or, if such 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 same will be so applied within such 180 day period);
- (v) the sale of the Thousand Oaks Building; and
- (vi) other sales, conveyances and other transfers of Equity Interests and assets of any kind, subject to an aggregate limit on the value of all such transfers under this clause (vi) of \$25,000,000 during the 12-month period beginning on the Effective Date or on any anniversary thereof.

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.

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(d) The preceding paragraphs of this Section 6.03 shall not limit the Securitization Transactions.

Acquisitions.

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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 Equity Interests, 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:

(a) Permitted Investments;

(b) investments by the Domestic Borrower and the Subsidiaries existing on the Effective Date in Equity Interests in their respective subsidiaries;

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

(d) Guarantees constituting Indebtedness permitted by Section 6.01;

(e) a transaction permitted under Section 6.03(a), and the Securitization Transactions;

(f) other acquisitions and investments in joint ventures not exceeding, in the aggregate (for all such acquisitions and investments by the Domestic Borrower and all Subsidiaries) \$20,000,000 in each of fiscal years 2004 and 2005;

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

(h) loans or advances by a Subsidiary to the Domestic Borrower, provided the resulting Indebtedness has no priority in right of payment over any Indebtedness hereunder or under any Designated Swap Agreement.

SECTION 6.05 Swap Agreements.

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The Domestic Borrower will not, and will not permit any of its Subsidiaries to, enter into any Swap Agreement, other than (a) Swap Agreements entered into to hedge or mitigate risks to which the Domestic Borrower or any Subsidiary has actual exposure (other than those in respect of Equity Interests of the Domestic Borrower or any of the Subsidiaries), and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of

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the Domestic Borrower or any Subsidiary; provided, however, that the maximum aggregate exposure of the Domestic Borrower and the Subsidiaries under any and all Swap Agreements (giving effect to any netting agreements) may not exceed \$5,000,000 at any one time outstanding.

SECTION 6.06 Restricted Payments.

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The Domestic Borrower will not, and will not permit any of the Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except that: (a) Subsidiaries may declare and pay dividends and make distributions ratably with respect to their Equity Interests; (b) if at the time thereof and after giving effect thereto no Default shall have occurred and be continuing, (i) the Domestic Borrower may declare and pay dividends with respect to its capital stock (subject to the limitation below), (ii) 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 (iii) 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 the Subsidiaries; and (c) the Securitization Transactions shall be permitted. 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 50% of its Consolidated Net Income for the prior fiscal year.

SECTION 6.07 Transactions with Affiliates.  
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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 (including Securitization Transactions) 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); provided, however, that none of the exceptions contemplated by clauses (a) through (d) will apply to any conveyance, sale or transfer of accounts receivable or other assets prohibited under any other provision of this Agreement, including any other Section of this Article VI.

SECTION 6.08 Restrictive Agreements.  
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The Domestic Borrower will not, and will not permit any of its Subsidiaries (other than the SPV) 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 (other than SPV) to pay dividends or other distributions with respect to any Equity Interests, 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

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imposed by law or by this Agreement or any other Credit Document or as contemplated by the Securitization Documents (with respect to the loans or advances and the Guaranteeing of Indebtedness, as aforesaid), (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), and (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder.

SECTION 6.09 Priority of Obligations.  
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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 in right of payment that is superior in any respect to the Indebtedness of the Borrowers hereunder or the Guarantors under the Guaranty of Payment.

SECTION 6.10 Certain Financial Covenants.  
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(a) The Domestic Borrower will not permit or suffer Consolidated Tangible Net Worth at any time to be less than \$220,000,000.

(b) The Domestic Borrower will not permit or suffer the ratio of (i) EBIT for the period of four consecutive fiscal quarters of the Domestic Borrower ending on such date, to (ii) Interest Expense, to be less than or equal to 1.25 to 1.0 as of the last day of any fiscal quarter.

(c) The Domestic Borrower will not permit or suffer the Adjusted Quick Ratio, as of the last day of any fiscal quarter of the Domestic Borrower, to be less than 1.10 to 1.0.



(d) The Domestic Borrower will not permit or suffer the ProcureStaff Quick Ratio to be more than 1.0 to 1.0 at any time.

(e) The Domestic Borrower will not permit or suffer the ratio of Debt to Capitalization to exceed .40 to 1.0 at any time.

Notwithstanding anything in the definition of the term Securitization Debt to the contrary, the Domestic Borrower may, for purposes of calculation of and compliance with the foregoing, treat Securitization Debt as having the same meaning as the term "Net Investment" under the Receivables Purchase Agreement.

SECTION 6.11 Accounting, Fiscal Year.  
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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

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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, 2005 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 2004 as if such calendar year had been the Domestic Borrower's fiscal year, and there shall not result any Default under such restated 2004 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.

SECTION 6.12 Capital Expenditures.  
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The Domestic Borrower will not permit the Domestic Borrower and the Subsidiaries to incur an aggregate of more than \$35,000,000 in either of fiscal year 2004 or 2005.

SECTION 6.13 Approved Securitization.  
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The Domestic Borrower will not, and will not permit the SPV or any other Subsidiary to: (a) provide any credit enhancement to the Approved Securitization (other than the Standard Securitization Undertakings as contemplated by the Securitization Documents as in effect on the Effective Date); or (b) make or effect any amendment to the Approved Securitization, without the express written consent of the Required Lenders, that would or could reasonably be expected to (i) amend any credit enhancement provisions expressly described in the Securitization Documents as in effect on the Effective Date (including, without limitation, any provisions regarding overcollateralization through accounts receivable and any changes to the term "Credit Enhancement Floor"), (ii) entail any increase (above the \$150,000,000 maximum principal amount) in the maximum aggregate amount of Securitization Debt owed by the SPV pursuant to the Approved Securitization, (iii) amend the purchase price to be paid by the SPV to the Domestic Borrower for any Securitization Assets, (iv) include within the Approved Securitization any accounts receivable (whether or not pledged pursuant to the Credit Documents) other than those arising under the staffing solutions business of the Domestic Borrower and its Subsidiaries, (v)

in any way materially adversely impact (x) any of the rights or remedies of the Lenders, the Administrative Agent or the Collateral Agent under this Agreement or any other Credit Documents or any Designated Swap Agreement or (y) the value of the Collateral, or (vi) otherwise result in a Default or Event of Default. In addition, the Domestic Borrower will not and will not permit the SPV to make or enter into any writing or agreement of any kind (i) of the type contemplated by the first sentence of Section 8.2 of the Receivables Sale Agreement, or (ii) which amends or has the effect of varying the terms of Section 1.2, or Section 8.2 of the Receivables Sale Agreement, or Section 10.02(a) of the Receivables Purchase Agreement, as such Sections read on the Effective Date, or the definition of "Expiration Date" in the Receivables Purchase Agreement (as the same reads on the Effective Date).

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## ARTICLE VII

### Events of Default

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

(a)(i) a Borrower shall fail to pay any principal of any Loan, pay any reimbursement obligation in respect of any LC Disbursement, or provide any cash collateral required under Section 2.06(c), 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; or

(b) 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; or

(c) 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, or any other Credit Document, 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, or any other Credit Document, 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; or

(d) 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, 5.10, 5.11 or 5.12, or in Article VI; or

(e) 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); or

(f) (i) a default shall occur with respect to any Indebtedness of a Borrower or any Subsidiary (whether or not a Guarantor) of \$1,000,000 or more in principal amount and such Indebtedness shall actually be accelerated by reason thereof, or (ii) 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; or

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or

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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; or

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of a Borrower, 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; or

(i) 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; or

(j) 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; or

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against a Borrower, 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; or

(l) 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; or

(m) a Change in Control shall occur; or

(n) any Credit Document 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 is not, in full force and effect and enforceable in accordance with its terms; or

(o) (i) an event of default shall occur under paragraph 8 of the Guaranty of Payment; or (ii) a Collateral Grantor Subsidiary (A) shall default under any provision of Section 8, 9 or 12 of the Subsidiary Security Agreement,

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or (B) shall be in default for a period of ten (10) days or more under any provision of any other Section of the Subsidiary Security Agreement other than a default under such another Section as to which clause (c) of this Article VII applies; or

(p) (i) the occurrence and continuation of any "Termination Event" set forth in any of clauses (a), (b), (c), (e), (f) or (j) of Section 10.01 of the Receivables Purchase Agreement, or (ii) the termination of the Receivables Purchase Agreement or of the Securitization Conduit's obligation to purchase the "Participation Interest" and to make "Reinvestments" (as those terms are defined in the Receivables Purchase Agreement), in either case on the "Expiration Date" as defined therein;

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/or the Collateral Agent's rights under any or all of the Collateral Documents and/or the UCC; 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.

## ARTICLE VIII

### The Administrative Agent

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

(b) Any bank serving as the Administrative 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, and such bank and its Affiliates may accept deposits from,

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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 hereunder.

(c) The Administrative 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 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 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 as directed 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 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 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 willful 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.

(d) The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent 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

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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.

(e) The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

(f) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank, 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.

(g) Each Lender acknowledges that it has, independently and without reliance upon the Administrative 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 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.

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## ARTICLE IX

### Miscellaneous

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#### SECTION 9.01 Notices.

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(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), 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:

(i) 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) 704-2424 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);

(ii) if to the Administrative Agent, to JPMorgan Chase Bank, Loan and Agency Services, 1111 Fanin, 10th Floor, Houston, TX 77002, Attention: Glen Hector (Telecopy No. (713) 750-2938), with a copy to JPMorgan Chase Bank, 277 Park Avenue, New York, New York 10172, Attention: Cynthia Lash (Telecopy No. (646)534-0691);

(iii) if to the Issuing Bank, to it at JPMorgan Chase Bank, 277 Park Avenue, New York, New York 10172, Attention of Cynthia Lash (Telecopy No. (646) 534-0691);

(iv) if to the Swingline Lender, to it at JPMorgan Chase Bank, 277 Park Avenue, New York, New York 10172, Attention of Cynthia Lash (Telecopy No. (646) 534-0691); and

(v) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent, each Borrower, and each Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) 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.

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SECTION 9.02 Waivers; Amendments.

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(a) No failure or delay by the Administrative 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 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.

(b) Neither this Agreement nor any provision hereof, nor any other Credit Document or any provision thereof, may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the applicable Borrowers and the Guarantors that are party hereto or thereto, as the case may be, and the Required Lenders, or by such applicable Borrowers and 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 2.10(f)), 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, (v) effect any release or discharge of a Guarantor or Collateral Grantor Subsidiary or any of the Collateral provided by any Collateral Grantor Subsidiary, without the written consent of each of the Lenders, (vi) permit the automatic renewal of a Letter of Credit to occur after April 11, 2005 without the written consent of each Lender and the Issuing Bank, or (vii) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of this Agreement 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 Collateral Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Collateral Agent, the Issuing Bank or the Swingline Lender, as the case may be. Notwithstanding the foregoing, the requirements of Section 9.16 (and any provision of this Agreement or any other Credit Document which expressly governs waivers, amendments or modifications of such provisions) shall control with respect to any matter expressly covered thereby.

SECTION 9.03 Expenses; Indemnity; Damage Waiver.

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(a) 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 (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, and (iv) all costs, expenses, taxes, assessments and other charges incurred on connection with any filing, registration, recording or perfection of any security interest contemplated by any Collateral Document or any other document referred to therein. The Domestic Borrower will pay the cost of the Current Field Exam, promptly after it is billed therefor.

(b) The Borrowers and the Guarantors shall indemnify the Administrative 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 willful misconduct of such Indemnitee.

(c) To the extent that a Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees

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to pay to the Administrative 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 Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, no party hereto shall assert against any other party hereto, and each party hereto hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

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

#### SECTION 9.04 Successors and Assigns.

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(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) no Borrower or Guarantor may assign or otherwise transfer any of its rights or obligations hereunder without the prior



written consent of each Lender (and any attempted assignment or transfer by a Borrower or Guarantor without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. 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), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, 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) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Domestic Borrower, provided that no consent of the Domestic Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an assignee that is a Lender immediately prior to giving effect to such assignment.

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(ii) Assignments shall be subject to the following additional conditions:

(A) 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 Assumption 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, provided that no such consent of the Domestic Borrower shall be required if an Event of Default has occurred and is continuing;

(B) 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, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) in the case of an assignment to a CLO, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such CLO.

For the purposes of this Section 9.04(b), the terms "Approved Fund" and "CLO" have the following meanings:

"Approved Fund" means (a) a CLO and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of

credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified

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in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, 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 Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption 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 Section 9.04 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 (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption 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.

(v) Upon its receipt of a duly completed Assignment and Assumption 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 Assumption 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.

(c) (i) Any Lender may, without the consent of any Borrower, or Guarantor, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) 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

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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 (c)(ii) 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.

(ii) 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 Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

#### SECTION 9.05 Survival.

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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.

#### SECTION 9.06 Counterparts; Integration; Effectiveness.

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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

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payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

#### SECTION 9.07 Severability.

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Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08 Right of Setoff.  
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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.

SECTION 9.09 Governing Law; Jurisdiction; Consent to Service of  
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Process; Judgment Currency.  
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(a) 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.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all

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claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each party hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement against any other party hereto or its properties in the courts of any jurisdiction.

(c) Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each party hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law. 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.

(e) If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in one currency into another currency, the parties hereto agree, to the fullest extent that they may effectively do so under applicable law, that the rate of exchange used shall be the spot rate at which in accordance with normal banking procedures the first currency could be purchased in New York City with such other currency by the Person obtaining such judgment on the Business Day preceding that on which final judgment is given. The parties agree, to the fullest extent that they may effectively do so under applicable law, that the obligations of each Borrower to make payments in any currency of the principal of and interest on the Loans and any other amounts due from such Borrower hereunder to the Administrative Agent as provided in Section 2.18: (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with Section 9.09(e)), in any currency other than the relevant currency, except to the extent that such tender or recovery shall result in the actual receipt by the Administrative Agent at its relevant office as provided in Section 2.18 on behalf of the Lenders of the full amount of the relevant currency expressed to be payable in 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.

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#### SECTION 9.10 WAIVER OF JURY TRIAL.

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EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

#### SECTION 9.11 Headings.

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Article and Section (and subsection) headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

#### SECTION 9.12 Confidentiality.

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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, (i) to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its

rights or obligations under this Agreement, or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Domestic Borrower and its obligations, (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

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if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13 Interest Rate Limitation.  
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Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or other amount due hereunder, together with all fees, charges and other amounts which are treated as interest on such Loan or other amount under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the party holding such Loan or other amount in accordance with applicable law, the rate of interest payable in respect of such Loan or other amount hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan or other amount but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such party in respect of other Loans or amounts or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such party.

SECTION 9.14 European Economic and Monetary Union; Possible  
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Transition from Sterling to euro.  
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(a) Definitions. In this Section 9.14 and in each other provision of this Agreement to which reference is made in this Section 9.14 expressly or impliedly, the following terms have the meanings given to them in this Section 9.14:

"commencement of the third stage of EMU" means 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

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"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) Effectiveness of Provisions. 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.

(c) Redenomination and Alternative Currencies. Each obligation under this Agreement of a party to this Agreement which has been denominated in the national currency unit of a participating member state shall be redenominated into the euro unit in accordance with EMU legislation, provided, that if and to the extent that any EMU legislation provides that following the commencement of the third stage of EMU an amount denominated either in the euro or in the national currency unit of a participating member state and payable within that participating member state by crediting an account of the creditor can be paid by the debtor either in the euro unit or in the national currency unit, each party to this Agreement shall be entitled to pay or repay any such amount either in the euro unit or in such national currency unit.

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

(e) Business Days. With respect to any amount denominated or to be denominated in the euro or a national currency unit, any reference to a "Business Day" shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in

(i) London and New York City and

(ii) Frankfurt am Main, Germany (or such principal financial center or centers in such participating member state or states as the Administrative Agent may from time to time nominate for this purpose).

(f) Payments to the Administrative Agent. Sections 2.10 and 2.18 shall be construed so that, in relation to the payment of any amount of euro units or national currency units, such amount shall be made available to the Administrative Agent in immediately available, freely transferable, cleared funds to such account with such bank in Frankfurt am Main, Germany (or such other principal financial center in such participating member state as the Administrative Agent may from time to time nominate for this purpose) as the Administrative Agent shall from time to time nominate for this purpose.

(g) Payments by the Administrative Agent to the Lenders. Any amount payable by the Administrative Agent to the Lenders under this Agreement in the currency of a participating member state shall be paid in the euro unit.

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(h) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in the euro or in a national currency unit, the Administrative Agent shall not be liable to the Borrowers, 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.

(i) Basis of Accrual. If the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a participating state shall be inconsistent with any convention or practice in the London interbank market or, as the case may be, the Paris interbank market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a participating member state; provided, that if any Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

(j) Rounding and Other Consequential Changes. Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU legislation and without prejudice to the respective liabilities for Indebtedness of each Borrower and each Guarantor to the Lenders, and the Lenders to the Borrowers under or pursuant to this Agreement:

(i) each reference in this Agreement to a minimum amount (or an integral multiple thereof) in a national currency unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or an integral multiple thereof) in the euro unit as the Administrative Agent may from time to time specify; and

(ii) except as expressly provided in this subsection 9.14, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the euro in participating member states.

(k) Increased Costs. The Borrowers shall from time to time, at the request of the Administrative Agent, pay to the Administrative Agent for the account of each Lender the amount of any cost or increased cost incurred by, or of any reduction in any amount payable to or in the effective return on its capital to, or of interest or other return foregone by, such Lender or any holding company of such Lender as a result of the introduction of, changeover to or operation of the euro in any participating member state to the extent such introduction, changeover or operation relates to such Lender's obligations

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hereunder; provided that the Borrowers shall not be required to pay to any Lender any amounts under this paragraph for any period prior to the date on which such Lender gives notice to the Borrowers that such amounts are payable unless such Lender gives notice within 180 days after it becomes aware or should have been aware of the event giving rise to such payment obligation.

#### SECTION 9.15 Multiple Borrowers.

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(a) 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

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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

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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.

(g) 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. Such increase must be attributable to the addition of one new lender (as a "Lender" hereunder). No consent of any Lender or the Administrative Agent will be required for an increase attributable to either Fleet National Bank or Bank of America becoming such new Lender. However, the consent of the Administrative Agent and the Required Lenders shall be required as to the identity of any other 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 Commitment. 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. All Lenders agree that they will execute an amendment document approved by the Administrative Agent as aforesaid.

(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).

SECTION 9.18 Termination of Pledge Agreement and Volt Security

Agreement.

As set forth in the second WHEREAS clause at the outset of this Agreement, the Lenders hereby confirm that they have agreed to terminate the Pledge Agreement and the Volt Security Agreement (as those terms are defined in the Existing Agreement) upon the effectiveness of this Agreement.

[Signatures Appear on Next Page.]

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. JPMORGAN CHASE BANK (f/k/a The  
(a New York corporation) Chase Manhattan Bank), as a Lender and  
as Administrative Agent

By: By:  
-----  
Name: Name: Cynthia Lash  
Title: Title: Vice President

GATTON VOLT CONSULTING GROUP VOLT TELECOMMUNICATIONS  
LIMITED GROUP, INC., a Delaware corporation  
(a United Kingdom corporation)

By: By:  
-----  
Name: Name:  
Title: Title:

VOLT DELTA RESOURCES, INC. VOLT INFORMATION SCIENCES  
(a Nevada corporation) FUNDING, INC. (a Delaware corporation)

By: By:  
-----  
Name: Name:  
Title: Title:

MELLON BANK, N.A., VOLT DIRECTORIES S.A., LTD.  
as a Lender (a Delaware corporation f/k/a  
Volt-Autologic Directories S.A., Ltd.)

By: By:  
-----  
Name: Name:  
Title: Title:

WELLS FARGO BANK, N.A., DATANATIONAL OF GEORGIA, INC.,  
as a Lender a Georgia corporation

By: By:  
-----  
Name: Name:  
Title: Title:

LLOYD TSB BANK PLC, VMC CONSULTING CORP.,  
as a Lender a Delaware corporation

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

By: \_\_\_\_\_ DATANATIONAL, INC.  
(a Delaware corporation)  
Name: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT 4.02

SECOND AMENDMENT TO RECEIVABLES PURCHASE AGREEMENT dated as of March 31, 2004 (the "Amendment") among VOLT FUNDING CORP. (the "Seller"), THREE RIVERS FUNDING CORPORATION ("TRFCO") and VOLT INFORMATION SCIENCES, INC. ("Volt").

W I T N E S S E T H:

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WHEREAS, the Seller, TRFCO and Volt are parties to a Receivables Purchase Agreement dated as of April 12, 2002, as amended by a First Amendment to Receivables Purchase Agreement dated as of June 3, 2002 (the "RPA");

WHEREAS, the parties desire to amend the RPA;

NOW, THEREFORE, the parties agree as follows:

SECTION 1. DEFINITIONS

Defined terms used herein and not defined herein shall have the meanings assigned to such terms in the RPA.

SECTION 2. AMENDMENT OF RPA

The parties hereto agree that, effective as provided in Section 3 hereof:

- (i) The definition of "Maximum Net Investment" set forth in Section 1.01 of the RPA is amended by replacing the dollar amount "\$100,000,000" set forth therein with the dollar amount "\$150,000,000."
- (ii) The definition of "Concentration Limit" set forth in Section 1.01 of the RPA is amended by replacing the language "four percent (4%)" and "4%" in each place set forth therein with the language "three and a half percent (3.5%)" and "3.5%," respectively.
- (iii) The definition of "Concentration Limit" set forth in Section 1.01 of the RPA is amended by adding the following language at the end thereof:

"Notwithstanding the foregoing, the applicable Concentration Limit may be increased in respect of any particular Obligor with the prior written consent of the Buyer ."
- (iv) The definition of "Credit Enhancement Floor" set forth in Section 1.01 of the RPA is amended by replacing the language "sixteen percent (16%)" set forth therein with the language "fourteen percent (14%)."
- (v) Clause (q) of the definition of "Eligible Receivable" set forth in Section 1.01 of the RPA is amended to read in its entirety as follows:

"(q) such Receivable must, by its terms, require full payment in respect thereof to be made no later than 60 days after the date the original invoice with respect thereto was sent to the related Obligor;"
- (vi) The definition of "Expiration Date" set forth in Section 1.01 of the RPA is amended by (i) replacing the date "April 8, 2005" set forth therein with the date "April 3, 2006" and (ii) removing the proviso set forth at the end of clause (i) therein.
- (vii) The definition of "Facility Fee Amount" set forth in Section 1.01 of the RPA is amended to add the word "Maximum" before the words "Net Investment" set forth in clause (ii) therein.

- (viii) Section 2.03(b) of the RPA is amended to insert the language ", on any date other than a Settlement Date," after the language "If at any time the Seller shall wish to cause the reduction of the Net Investment" set forth at the beginning of such Section 2.03(b).

### SECTION 3. CONDITIONS PRECEDENT

Upon execution and delivery of this Amendment by the parties hereto, the amendments set forth herein shall become effective, automatically and without any further approval, consent or other action by any party hereto, upon the later to occur of (i) the date TRFCO shall have received the favorable written opinion of Jenkens & Gilchrist Parker Chapin LLP, counsel to the Seller and Volt, regarding this Amendment and the RPA (as amended by this Amendment), substantially to the effect as set forth in that firm's comparable opinion dated April 15, 2002 (and also substantially to the effect as set forth in Howard B. Weinreich's comparable opinion dated April 15, 2002, except insofar as Mr. Weinreich instead re-renders any such opinion, which shall also be in that event substantially to the effect as set forth in his comparable opinion dated April 15, 2002), with such or each such opinion to be in form and substance reasonably acceptable to TRFCO and (ii) the earlier to occur of (such earlier to occur, the "Effectiveness Trigger Event") (x) the receipt by Volt of any and all necessary consents to the execution and delivery of this Amendment under that certain Credit Agreement dated as of April 12, 2002 (as amended from time to time) among Volt, JPMorgan Chase Bank (as administrative agent) and certain other persons (the "Volt Credit Agreement"); and (y) the repayment of all indebtedness under the Volt Credit Agreement and termination of any and all lending commitments thereunder. Volt shall provide Seller and TRFCO prompt notice of the occurrence of the Effectiveness Trigger Event.

### SECTION 4. GOVERNING LAW

THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS CONFLICTS OF LAWS RULES (OTHER THAN SECTION 5-1401 OF NEW YORK'S GENERAL OBLIGATIONS LAW).

### SECTION 5. EXECUTION IN COUNTERPARTS

This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed to be an original and all of which, when taken together, shall constitute one and the same Amendment. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

### SECTION 6. CONFIRMATION OF AGREEMENT

Each of the parties to the RPA agree that, except as amended hereby, the RPA continues in full force and effect. The Seller and Volt acknowledge and agree that the definition of Eligible Receivable as used in the Sale Agreement shall be effectively amended, through cross-reference to the RPA, by this Amendment. The Seller and Volt hereby represent and warrant that, after giving effect to the effectiveness of this Amendment, their respective representations and warranties contained in the RPA are true and correct in all material respects upon and as of such effectiveness with the same force and effect as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date).

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their authorized officers as of the day and year first above written.

VOLT FUNDING CORPORATION

By: \_\_\_\_\_  
Authorized Signatory

VOLT INFORMATION SCIENCES, INC.

By: \_\_\_\_\_  
Authorized Signatory

THREE RIVERS FUNDING CORPORATION

By: \_\_\_\_\_  
Authorized Signatory

EXHIBIT 15.01

ERNST & YOUNG LLP 5 Times Square Phone 212-773-3000  
New York, New York 10036

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Volt Information Sciences, Inc.

We have reviewed the condensed consolidated balance sheet of Volt Information Sciences, Inc. and subsidiaries as of May 2, 2004, and the related condensed consolidated interim statements of operations for the six and three month periods ended May 2, 2004 and May 4, 2003, and the condensed consolidated statements of cash flows for the six month periods ended May 2, 2004 and May 4, 2003. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial 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 the standards of the Public Company Accounting Oversight Board, 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 interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Volt Information Sciences, Inc. as of November 2, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, not presented herein; and in our report dated December 22, 2003, 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 2, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

June 9, 2004



EXHIBIT 15.02

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Volt Information Sciences, Inc.

We are aware of the incorporation by reference in Registration Statement No. 333-13369 on Form S-8 dated October 3, 1996, Registration Statement No. 333-45903 on Form S-8 dated February 9, 1998 and Registration Statement No. 333-106245 on Form S-8 dated June 18, 2003 of Volt Information Sciences, Inc. of our report dated June 9, 2004, 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 May 2, 2004.

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

June 10, 2004

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William Shaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Volt Information Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 10, 2004

/s/William Shaw

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

EXHIBIT 31.02

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James J. Groberg, certify that:

1. I have reviewed this report on Form 10-Q of Volt Information Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 10, 2004

/s/James J. Groberg

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James J. Groberg  
Senior Vice President and  
Principal Financial Officer



EXHIBIT 32.01

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Volt Information Sciences, Inc. (the "Company") on Form 10-Q for the period ended May 2, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Shaw, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 10, 2004

/s/ William Shaw

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William Shaw  
Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Volt Information Sciences, Inc. and will be retained by Volt Information Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.02

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Volt Information Sciences, Inc. (the "Company") on Form 10-Q for the period ended May 2, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. Groberg, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 10, 2004

/s/ James J. Groberg

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James J. Groberg  
Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to Volt Information Sciences, Inc. and will be retained by Volt Information Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.