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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended January 31, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _______ to _______

Commission file number: 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	94-1369354
(State of Incorporation)	(I.R.S. Employer Identification No.)

551 Fifth Avenue, Suite 300, New York, New York 10176
(Address of principal executive offices)(Zip Code)

212/297-0200
(Registrant's telephone number, including area code)

(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes ☑ No o

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

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Number of shares of common stock outstanding as of February 27, 2009: 51,179,264.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
FORM 10-Q
For the three months ended January 31, 2009

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	January 31, 2009 (Unaudited)	October 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,962	$ 710
Trade accounts receivable, net of allowances of $12,927 and $12,466 at January 31, 2009 and October 31, 2008, respectively	500,094	473,263
Current assets of discontinued operations	17,004	34,508
Prepaid expenses and other	71,782	69,125
Deferred income taxes, net	53,995	57,463
Total current assets	654,837	635,069
Non-current assets of discontinued operations	10,546	11,205
Deferred income taxes, net	90,199	88,704
Insurance recoverables	66,600	66,600
Other non-current assets	72,433	70,286
Investments in auction rate securities	18,891	19,031
Property, plant and equipment, net of accumulated depreciation of $89,043 and $85,377 at January 31, 2009 and October 31, 2008, respectively	61,654	61,067
Other intangible assets, net of accumulated amortization of $35,302 and $32,571 at January 31, 2009 and October 31, 2008, respectively	59,358	62,179
Goodwill	537,119	535,772
Total assets	$1,571,637	$1,549,913

(Continued)

See accompanying notes to the condensed consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	January 31, 2009 (Unaudited)	October 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 84,788	$ 70,034
Accrued liabilities		
Taxes — other than income	25,213	20,270
Insurance claims	86,021	84,272
Other	173,298	174,406
Income taxes payable	565	2,025
Current liabilities of discontinued operations	5,429	10,082
Total current liabilities	375,314	361,089
Line of credit	227,000	230,000
Insurance claims	261,482	261,885
Other non-current liabilities	54,430	52,888
Total liabilities	918,226	905,862
Commitments and Contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 58,174,048 and 57,992,072 shares issued at January 31, 2009 and October 31, 2008, respectively	582	581
Additional paid-in capital	286,136	284,094
Accumulated other comprehensive (loss) income, net of tax	(3,595)	(3,422)
Retained earnings	492,626	485,136
Cost of treasury stock (7,028,500 shares at both January 31, 2009 and October 31, 2008)	(122,338)	(122,338)
Total stockholders' equity	653,411	644,051
Total liabilities and stockholders' equity	$ 1,571,637	$ 1,549,913

See accompanying notes to the condensed consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended January 31, 2009	2008
	(Unaudited)	
Revenues	$887,472	$887,792
Expenses		
Operating	787,268	803,953
Selling, general and administrative	71,387	66,442
Amortization of intangible assets	2,823	2,381
Total expenses	861,478	872,776
Operating profit	25,994	15,016
Interest expense	1,668	4,610
Income from continuing operations before income taxes	24,326	10,406
Provision for income taxes	9,571	4,139
Income from continuing operations	14,755	6,267
Discontinued Operations		
Income (loss) from discontinued operations, net of taxes	(538)	97
Net income	$ 14,217	$ 6,364
Net income per common share — Basic		
Income from continuing operations	$ 0.29	$ 0.13
Income (loss) from discontinued operations	(0.01)	—
Net Income	$ 0.28	$ 0.13
Net income per common share — Diluted		
Income from continuing operations	$ 0.29	$ 0.13
Income (loss) from discontinued operations	(0.01)	—
Net Income	$ 0.28	$ 0.13
Weighted-average common and common equivalent shares outstanding		
Basic	51,110	50,113
Diluted	51,470	50,911
Dividends declared per common share	$ 0.130	$ 0.125

See accompanying notes to the condensed consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months Ended January 31, 2009	2008
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 14,217	$ 6,364
Income (loss) from discontinued operations, net of taxes	(538)	97
Income from continuing operations	14,755	6,267
Adjustments to reconcile income from continuing operations to net cash provided by (used in) continuing operating activities:		
Depreciation and amortization of intangible assets	7,306	5,979
Deferred income taxes	3,361	(1,713)
Share-based compensation expense	1,493	1,112
Provision for bad debt	1,286	432
Discount accretion on insurance claims	312	—
Loss on sale of assets	(43)	(1)
Changes in operating assets and liabilities, net of effects of acquisitions		
Trade accounts receivable, net	(28,253)	(33,327)
Inventories	30	(40)
Prepaid expenses and other current assets	(2,672)	(15,725)
Other assets and long-term receivables	(2,147)	(3,011)
Income taxes payable	2,306	290
Retirement plans and other non-current liabilities	(1,776)	(353)
Insurance claims	615	4,979
Trade accounts payable and other accrued liabilities	16,887	12,050
Total adjustments	(1,295)	(29,328)
Net cash provided by (used in) continuing operating activities	13,460	(23,061)
Net cash provided by (used in) discontinued operating activities	12,619	(1,880)
Net cash provided by (used in) operating activities	26,079	(24,941)
Cash flows from investing activities:		
Additions to property, plant and equipment	(5,441)	(9,525)
Proceeds (loss) from sale of assets	415	(15)
Purchase of businesses	(623)	(409,733)
Net cash used in continuing investing activities	(5,649)	(419,273)
Net cash used in discontinued investing activities	—	(9)
Net cash used in investing activities	(5,649)	(419,282)
Cash flows from financing activities:		
Proceeds from exercises of stock options (including income tax benefit)	463	1,524
Dividends paid	(6,641)	(6,260)
Borrowings from line of credit	173,000	386,500
Repayment of borrowings from line of credit	(176,000)	(70,500)
Net cash provided by (used in) financing activities	(9,178)	311,264
Net increase (decrease) in cash and cash equivalents	11,252	(132,959)
Cash and cash equivalents at beginning of period	710	136,192
Cash and cash equivalents at end of period	$ 11,962	$ 3,233

(Continued)

See accompanying notes to the condensed consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months Ended January 31, 2009	Three Months Ended January 31, 2008
	(Unaudited)	
Supplemental Data:		
Cash paid for income taxes, net of refunds received	$3,915	$5,659
Excess tax benefit from exercise of options	8	34
Cash received from exercise of options	455	1,490
Interest paid on line of credit	$1,908	$3,364

See accompanying notes to the condensed consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Basis of Presentation

The accompanying condensed consolidated financial statements of ABM Industries Incorporated ("ABM", and together with its subsidiaries, the "Company") contained in this report are unaudited and should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission ("SEC") in ABM's Annual Report on Form 10-K/A for the fiscal year ended October 31, 2008. All references to years are to the Company's fiscal year, which ends on October 31.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in ABM's condensed consolidated financial statements and the accompanying notes. These estimates are based on information available as of the date of these financial statements. The current economic environment and its potential effect on the Company's customers have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are only normal and recurring, necessary to fairly state the information for each period contained therein. The results of operations for the three months ended January 31, 2009 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

2. Insurance

The Company periodically evaluates its estimated claim costs and liabilities and accrues self-insurance reserves to its best estimate three times during the fiscal year. Management also monitors new claims and claim development to assess appropriate levels of insurance reserves. The estimated future charge is intended to reflect recent experience and trends. The trend analysis is complex and highly subjective. The interpretation of trends requires knowledge of many factors that may or may not be reflective of adverse or favorable developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). Trends may also be impacted by changes in safety programs or claims handling practices. If the trends suggest that the frequency or severity of claims incurred has changed, the Company might be required to record increases or decreases in expenses for self-insurance liabilities. There was no actuarial evaluation performed during the three months ended January 31, 2009. As a result, there were no changes to the self-insurance reserve for ultimate losses relating to prior years. Accordingly, the Company's self-insurance expense for the three months ended January 31, 2009 is based upon actuarial assumptions developed in 2008.

3. Net Income per Common Share

Basic net income per common share is net income divided by the weighted average number of shares outstanding during the period. Diluted net income per common share is based on the weighted average number of shares outstanding during the period, adjusted to include the assumed exercise and conversion of certain stock options, restricted stock units and performance shares. The calculation of basic and diluted net income per common share is as follows:

(in thousands, except per share data)	Three Months Ended January 31, 2009	2008
Income from continuing operations	$14,755	$ 6,267
Income (loss) from discontinued operations, net of taxes	(538)	97
Net income	$14,217	$ 6,364
Weighted-average common shares outstanding — Basic	51,110	50,113
Effect of dilutive securities:		
Stock options	196	648
Restricted stock units	105	92
Performance shares	59	58
Weighted-average common shares outstanding — Diluted	51,470	50,911
Net income per common share		
Basic	$ 0.28	$ 0.13
Diluted	$ 0.28	$ 0.13

The diluted net income per common share excludes certain stock options and restricted stock units since the effect of including these stock options and restricted stock units would have been anti-dilutive as follows:

(in thousands)	Three Months Ended January 31, 2009	2008
Stock options	2,399	1,168
Restricted stock units	209	306

4. Share-Based Compensation Plans

Share-based compensation expense was $1.5 million and $1.1 million for the three months ended January 31, 2009 and 2008, respectively, which is recorded in selling, general and administrative expenses. The Company estimates its forfeiture rates based on historical data and adjusts the expected forfeiture rates annually or as needed. During the three months ended January 31, 2009, the Company adjusted its estimated forfeiture rate to align with expected forfeitures and the effect of such adjustment was immaterial.

The following grants were approved by the Company’s Compensation Committee on January 12, 2009: 120,364 stock options, 184,525 restricted stock units and 119,977 performance shares, each under the terms of the Company’s 2006 Equity Incentive Plan. The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option valuation model. The assumptions used in the option valuation model for the stock options granted on January 12, 2009 were: (1) expected life from date of grant of 5.7 years; (2) expected stock price volatility of 35.23%; (3) expected dividend yield of 2.49% and (4) a risk-free interest rate of 1.65%. The fair value of options granted was $4.82 per share.

5. Comprehensive Income

The following table presents the components of comprehensive income, net of taxes:

(in thousands)	Three Months Ended January 31, 2009	2008
Net income	$14,217	$6,364
Other comprehensive income (loss):		
Unrealized loss on auction rate securities, net of taxes	(85)	(939)
Foreign currency translation, net of taxes	(74)	(50)
Actuarial gain-adjustments to pension & other post- retirement plans, net of taxes	(14)	2
Comprehensive income	$14,044	$5,377

6. Discontinued Operations

On October 31, 2008, the Company completed the sale of substantially all of the assets of its former Lighting division, excluding accounts receivable and certain other assets and liabilities. The remaining assets and liabilities associated with the Lighting division have been classified on the Company's condensed consolidated balance sheets as assets and liabilities of discontinued operations for all periods presented. The results of operations of Lighting for all periods presented are included in the Company's condensed consolidated statements of income as "Income (loss) from discontinued operations, net of taxes."

The carrying amounts of the major classes of assets and liabilities of the Lighting division included in discontinued operations are as follows:

	January 31, 2009	October 31, 2008
Trade accounts receivable, net	$ 3,560	$21,735
Prepaid expenses and other	13,444	12,773
Current assets of discontinued operations	17,004	34,508
Non-current assets of discontinued operations	10,546	11,205
Trade accounts payable	3,953	7,053
Accrued liabilities	1,476	3,029
Current liabilities of discontinued operations	5,429	10,082

The summarized operating results of the Company's discontinued Lighting division for the three months ended January 31, 2009 and 2008 are as follows:

(in thousands)	Three Months Ended January 31, 2009	2008
Revenues	$ 931	$28,900
Income (loss) before income taxes	(891)	195
Provision (benefit) for income taxes	(353)	98
Income (loss) from discontinued operations, net of taxes	$(538)	$ 97

The loss from discontinued operations, net of taxes, of $0.5 million primarily relates to severance related costs and selling, general and administrative transition costs.

7. Acquisitions

On November 14, 2007, the Company acquired OneSource Services, Inc. ("OneSource"), a janitorial facility services company, formed under the laws of Belize, with U.S. operations headquartered in Atlanta, Georgia. OneSource was a provider of janitorial, landscaping, general repair and maintenance and other specialized services to commercial, industrial, institutional and retail facilities, primarily in the United States.

The acquisition was accounted for under the purchase method of accounting and resulted in goodwill of $275.0 million as of October 31, 2008. During the three months ended January 31, 2009, the Company further adjusted goodwill by $0.7 million to reflect the final purchase price and related allocations for professional fees, legal reserves for litigation that commenced prior to acquisition, additional workers' compensation insurance liabilities and certain deferred income taxes.

The following unaudited pro forma financial information shows the combined results of continuing operations of the Company, including OneSource, as if the acquisition had occurred as of the beginning of the three months ended January 31, 2008. The unaudited pro forma financial information is not intended to represent or be indicative of the Company's condensed consolidated financial results of continuing operations that would have been reported had the business combination been completed as of the beginning of the periods presented and should not be taken as indicative of the Company's future consolidated results of continuing operations.

(in thousands, except per share data)	Three Months Ended January 31, 2009	2008
Revenues	$887,472	$917,654
Income from continuing operations	$ 14,755	$ 5,976
Income from continuing operations per common share		
Basic	$ 0.29	$ 0.12
Diluted	$ 0.29	$ 0.12

Total additional consideration paid during the three months ended January 31, 2009 for other earlier acquisitions was $0.6 million, which has been recorded as goodwill.

8. Parking Revenue Presentation

The Company's Parking segment reports both revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients in accordance with EITF Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Parking revenues related solely to the reimbursement of expenses totaled $60.5 million and $64.9 million for the three months ended January 31, 2009 and 2008, respectively. For the three months ended January 31, 2008, the classification of certain parking revenues related to the reimbursement of expenses have been reclassified from amounts previously reported to correct their historical classification.

9. Segment Information

The Company was previously organized into five separate reportable operating segments. In accordance with Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," Janitorial, Parking, Security, Engineering and Lighting were reportable segments. In connection with the discontinued operation of the Lighting division (as discussed in Note 6, "Discontinued Operations"), the operating results of Lighting are classified as discontinued operations and, as such, are not reflected in the tables below. Segment revenues and operating profits of the continuing reportable segments (Janitorial, Parking, Security, and Engineering) were as follows:

	Three Months Ended January 31,	
(in thousands)	2009	2008
Revenues		
Janitorial	$608,420	$606,045
Parking	115,669	118,011
Security	85,583	80,941
Engineering	77,216	81,815
Corporate	584	980
	$887,472	$887,792
Operating profit		
Janitorial	$ 32,311	$ 20,942
Parking	4,142	3,889
Security	1,794	1,392
Engineering	4,666	3,526
Corporate	(16,919)	(14,733)
Operating profit	25,994	15,016
Interest expense	1,668	4,610
Income from continuing operations before income taxes	$ 24,326	$ 10,406

Most Corporate expenses are not allocated. Such expenses include the adjustments to the Company's self-insurance reserves relating to prior years, severance costs associated with the integration of OneSource's operations into the Janitorial segment, the Company's share-based compensation costs, and certain information technology costs. Until damages and costs are awarded or a matter is settled, the Company also accrues probable and estimable losses associated with pending litigation in Corporate.

10. Commitments and Contingencies

Commitments

On January 20, 2009, ABM and International Business Machines Corporation ("IBM"), entered into a binding Memorandum of Understanding (the "MOU") pursuant to which ABM and IBM agreed to: (1) terminate certain services currently provided by IBM to ABM under the Master Professional Services Agreement dated October 1, 2006 (the "Agreement"); (2) transition the terminated services to ABM and/or its designee; (3) resolve certain other disputes arising under the Agreement; and (4) modify certain terms applicable to services that IBM will continue to provide to ABM. In connection with the execution of the MOU, ABM delivered to IBM a formal notice terminating for convenience certain information technology and support services effective immediately (the "Termination"). Notwithstanding the Termination, the MOU contemplated (1) that IBM would assist ABM with the transition of the terminated services to ABM or its designee pursuant to an agreement (the "Transition Agreement") to be executed by ABM and IBM and (2) the continued provision by IBM of certain data center services. On February 24, 2009, ABM and IBM entered into an amended and restated agreement, which amends the Agreement (the "Amended Agreement"), and the Transition Agreement, which memorializes the termination-related provisions of the MOU as well as other terms related to the transition services. Under the Amended Agreement, the base fee for the provision of the defined data center services is $18.8 million payable over the service term (March 2009 through December 2013) as follows: 2009 — $3.6 million; 2010 — $4.4 million; 2011 — $4.0 million ; 2012 — $3.3 million; 2013 — $3.0 million and 2014 — $0.5 million.

In connection with the Termination, ABM has agreed to: (1) reimburse IBM for certain actual employee severance costs, up to a maximum of $0.7 million, provided ABM extends comparable offers of employment to a minimum number of IBM employees; (2) reimburse IBM for certain early termination costs, as defined, including third party termination fees and/or wind down costs totaling approximately $0.4 million associated with software, equipment and/or third party contracts used by IBM in performing the terminated services, and (3) pay IBM fees and expenses for requested transition assistance which are estimated to be approximately $0.4 million.

Contingencies

The Company is subject to various legal and arbitration proceedings and other contingencies that have arisen in the ordinary course of business. In accordance with SFAS No. 5, "Accounting for Contingencies", the Company accrues the amount of probable and estimable losses related to such matters. At January 31, 2009, the total amount of probable and estimable losses accrued for legal and other contingencies was $7.0 million. However, the ultimate resolution of legal and arbitration proceedings and other contingencies is always uncertain. If actual losses materially exceed the estimates accrued, the Company's financial condition and results of operations could be materially adversely affected.

In November 2008, the Company and its former third party administrator of workers' compensation claims settled a claim in arbitration for net proceeds of $9.6 million, after legal expenses, related to poor claims management, which amount was received by the Company during January 2009. This amount was classified as a reduction in operating expenses in the accompanying condensed consolidated statement of income for the three months ended January 31, 2009.

11. Fair Value Measurements

Effective November 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157") for financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). The Company has not yet adopted SFAS No. 157 for non-financial assets and liabilities, in accordance with FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"), which defers the effective date of SFAS No. 157 to November 1, 2009, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed on a recurring basis.

SFAS No. 157 defines and establishes a framework for measuring fair value. Under SFAS No. 157, fair value is determined based on inputs or assumptions that market participants would use in pricing an asset or liability. These assumptions consist of (1) observable inputs — market data obtained from independent sources, or (2) unobservable inputs — market data determined using the company's own assumptions about valuation. SFAS No. 157 establishes a hierarchy to prioritize the inputs to valuation techniques, with the highest priority being given to Level 1 inputs and the lowest priority to Level 3 inputs, as described below:

Level 1 — Quoted prices for identical instruments in active markets;

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets; and

Level 3 — Unobservable inputs.

Financial assets measured at fair value on a recurring basis are summarized in the table below:

(in thousands)	Fair Value at January 31, 2009	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets				
Assets held in deferred compensation plan	$ 5,748	$ 5,748	$ —	$ —
Investment in auction rate securities	18,891	—	—	18,891
Total assets	$ 24,639	$ 5,748	$ —	$ 18,891

The Company's investments in auction rate securities are classified within Level 3 because fair value was estimated utilizing discounted cash flow valuation models, primarily utilizing unobservable inputs. See Note 12, Auction Rate Securities. Changes during the quarter ended January 31, 2009 related to assets measured at fair value using significant unobservable inputs (Level 3) are summarized in the table below:

	Level 3
Fair Value at October 31, 2008	$ 19,031
Unrealized loss included in accumulated other comprehensive income	(140)
Fair Value at January 31, 2009	$ 18,891

12. Auction Rate Securities

As of January 31, 2009, the Company held investments in auction rate securities from five different issuers having an original principal amount of $5.0 million each (aggregating $25.0 million). At January 31, 2009, the estimated fair value of these securities, in total, was approximately $18.9 million, resulting in impairments of each of the securities ranging from approximately $25,000 to $2.0 million. The Company's auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days. However, due to events in the U.S. credit markets, auctions for these securities began to fail commencing in August 2007 and have continued to fail through January 31, 2009.

The Company continues to receive the scheduled interest payments from the issuers of the securities except for one issuer who issued a notice of default during January 2009. The scheduled interest and principal payments of that security are guaranteed by a U.K. financial guarantee insurance company which made the guaranteed interest payment as scheduled. The Company estimates the fair values of auction rate securities it holds utilizing a discounted cash flow model, which consider, among other factors, assumptions about: the underlying collateral, credit risks associated with the issuer (or related guarantor, where applicable), contractual maturity and assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction (presently assumed to be approximately 4 to 6 years). Since there can be no assurance that auctions for these securities will be successful in the near future, the Company has classified its auction rate securities as long-term investments.

The Company considers impairments to be other-than-temporary when, based on an evaluation of available facts, circumstances and known or reasonably supportable trends, it is probable that the Company will be unable to collect all amounts contractually due under the terms of the security. The Company's determination of whether impairment of its auction rate securities is other-than-temporary includes consideration of several factors including, but not limited to: the extent and duration of impairment, the Company's ability and intent to hold the security until recovery, the historical performance and agency rating of the security, the agency rating of the associated guarantor (where applicable), the nature and value of the underlying collateral expected to service the investment, and actuarial experience of the underlying re-insurance arrangement (where applicable) which in certain circumstances may have preferential rights to the underlying colateral. Adverse changes in any of these factors could result in further material declines in fair value and/or a determination that such impairment is other-than-temporary in the future. The Company intends and believes it has the ability to hold these securities until their value recovers or the securities mature. Based on the Company's analysis of these factors and its intent and ability to hold these securities until they mature, the Company has concluded that these securities are not other than temporarily impaired as of January 31, 2009.

For the three months ended January 31, 2009, unrealized losses of $0.08 million, net of taxes, were charged to accumulated other comprehensive loss as a result of declines in the fair value of the Company's auction rate securities. Any future fluctuation in the fair value related to these securities that the Company deems to be temporary, including any recoveries of previous unrealized losses, would be recorded to accumulated other comprehensive loss, net of taxes. If at any time in the future a decline in value is other than temporary, the Company will record a charge to earnings in the period of determination.

13. Line of Credit Facility

In connection with the acquisition of OneSource, ABM entered into a $450.0 million five year syndicated line of credit that is scheduled to expire on November 14, 2012 (the "Facility"). The line of credit is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures, and other general corporate purposes.

As of January 31, 2009, the total outstanding amounts under the Facility in the form of cash borrowings and standby letters of credit were $227.0 million and $118.4 million, respectively. Available credit under the line of credit was $104.6 million as of January 31, 2009.

The Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness and certain transactions and payments. In addition, the Facility also requires that ABM maintain the following three financial covenants which are described in the Financial Statements set forth in the Company's Annual Report on Form 10-K/A, as defined: (1) a fixed charge coverage ratio, (2) a leverage ratio and (3) a combined net worth. The Company was in compliance with all covenants as of January 31, 2009 and expects to be in compliance for the foreseeable future.

Subsequent to January 31, 2009, the Company entered into a two-year interest rate swap agreement with a notional amount of $100.0 million, involving the exchange of floating- for fixed-rate interest payments. The Company will receive floating-rate interest payments that offset the LIBOR component of the interest due on $100 million of the Company's floating-rate debt and make fixed-rate interest payments of 1.47% over the life of the interest rate swap. The Company will assess the effectiveness of the Company's hedging strategy using the method described in Derivatives Implementation Group Statement 133 Implementation Issue No. G9, "Cash Flow Hedges: Assuming No Ineffectiveness When Critical Terms of the Hedging Instrument and the Hedged Transaction Match in a Cash Flow Hedge." Accordingly, changes in fair value of the interest rate swap agreement are expected to be offset by changes in the fair value of the underlying debt.

Additionally, the Company will evaluate whether the creditworthiness of each swap counterparty is such that default on its obligations under the swap is not probable. The Company also assesses whether the LIBOR-based interest payments are probable of being paid under the loan at the inception and, on an ongoing basis (no less than once each quarter), during the life of each hedging relationship.

14. Income Taxes

On November 1, 2007, the Company adopted the provisions of FIN 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”), which provide a financial statement recognition threshold and measurement criteria for a tax position taken or expected to be taken in a tax return. As of January 31, 2009, the Company had $121.1 million of unrecognized tax benefits, of which $1.4 million, if recognized, would affect its effective tax rate. The remainder of the balance, if recognized prior to the Company’s planned adoption of SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141R”), would be recorded as an adjustment to goodwill and would not impact the effective tax rate but would impact the payment of cash to the taxing authorities. The Company’s policy to include interest and penalties related to unrecognized tax benefits in income tax expense did not change upon the adoption of FIN 48. As of January 31, 2009, the Company had accrued interest related to uncertain tax positions of $0.5 million on the Company’s balance sheet. During the three months ended January 31, 2009, the unrecognized tax benefit increased by $3.4 million. The Company has recorded $2.1 million of the unrecognized tax benefits as a current liability.

The Company’s major tax jurisdiction is the United States and its U.S. federal income tax return has been examined by the tax authorities through October 31, 2004. The Company primarily does business in all fifty states, significantly in California, Texas and New York. In major state jurisdictions, the tax years 2004-2007 remain open and subject to examination by the appropriate tax authorities. The Company is currently being examined by Illinois, Minnesota, Arizona, Puerto Rico and Utah.

15. Benefit Plans

The components of net periodic benefit cost of the Company’s defined benefit plans and the post-retirement benefit plan, including participants associated with continuing operations, for the three months ended January 31, 2009 and 2008, were as follows:

	Three Months Ended January 31,	
(in thousands)	2009	2008
Defined Benefit Plans		
Service cost	$ 10	$136
Interest	194	208
Expected return (loss) on assets	(80)	(93)
Amortization of actuarial loss (gain)	26	36
Net expense	$150	$287
Post-Retirement Benefit Plan		
Service cost	$ 3	$ 5
Interest	69	58
Amortization of actuarial gain	(51)	(26)
Net expense	$ 21	$ 37

16. Recent Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position No. FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP FAS 132R-1”). FSP FAS 132R-1 expands the disclosures set forth in SFAS No. 132R by adding required disclosures about how investment allocation decisions are made by management, major categories of plan assets, and significant concentrations of risk. Additionally, FSP FAS 132R-1 requires an employer to disclose information about the valuation of plan assets similar to that required under SFAS No. 157. FSP FAS 132R-1 intends to enhance the transparency surrounding the types of assets and associated risks in an employer's defined benefit pension or other postretirement plan. FSP FAS 132R-1 will be effective beginning in fiscal year 2010. The Company does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In April 2008, the FASB issued FASB Staff Position 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The objective of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), "Business Combinations," and other U.S. generally accepted accounting principles. FSP 142-3 will be effective beginning in fiscal year 2010. The Company is currently evaluating the impact that FSP 142-3 will have on its consolidated financial statements and disclosures.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The provisions of SFAS 161 will be effective for the quarter ending April 30, 2009. The Company does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141R. The purpose of issuing the statement was to replace current guidance in SFAS No. 141 to better represent the economic value of a business combination transaction. The changes to be effected with SFAS No. 141R from the current guidance include, but are not limited to: (1) acquisition costs will be recognized separately from the acquisition; (2) known contractual contingencies at the time of the acquisition will be considered part of the liabilities acquired measured at their fair value and all other contingencies will be part of the liabilities acquired measured at their fair value only if it is more likely than not that they meet the definition of a liability; (3) contingent consideration based on the outcome of future events will be recognized and measured at the time of the acquisition; (4) business combinations achieved in stages (step acquisitions) will need to recognize the identifiable assets and liabilities, as well as noncontrolling interests, in the acquiree, at the full amounts of their fair values; and (5) a bargain purchase (defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree) will require that excess to be recognized as a gain attributable to the acquirer. The Company anticipates that the adoption of SFAS No. 141R will have an impact on the way in which business combinations will be accounted for compared to current practice. SFAS No. 141R will be effective for any business combination that occurs beginning in fiscal year 2010.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 was issued to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, that is, as equity in the consolidated financial statements. Moreover, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS No. 160 will be effective beginning in fiscal year 2010. The Company is currently evaluating the impact that SFAS No. 160 will have on its consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115," ("SFAS No. 159"). SFAS No. 159 allows companies to elect to measure certain assets and liabilities at fair value and is effective for fiscal years beginning after November 15, 2007. The Company did not elect to utilize the fair value option permitted by SFAS No. 159 for any of the Company's assets or liabilities as of January 31, 2009.

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements of ABM Industries Incorporated ("ABM", and together with its subsidiaries, the "Company") included in this Quarterly Report on Form 10-Q and with the consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K/A for the year ended October 31, 2008 ("10-K/A"). All information in the discussion and references to the years are based on the Company's fiscal year, which ends on October 31.

Overview

The Company provides janitorial, parking, security and engineering services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities primarily throughout the United States.

On October 31, 2008, the Company completed the sale of substantially all of the assets of the Company's Lighting division, excluding accounts receivable and certain other assets and liabilities. The assets sold included customer contracts, inventory and other assets, as well as rights to the name "Amtech Lighting." The remaining assets and liabilities associated with the Lighting division have been classified on the Company's condensed consolidated balance sheets as assets and liabilities of discontinued operations for all periods presented. The results of operations of Lighting for all periods presented are included in the Company's condensed consolidated statements of income as "Income (loss) from discontinued operations, net of taxes."

On November 14, 2007, the Company acquired OneSource Services, Inc. ("OneSource"), a janitorial facility services company, formed under the laws of Belize, with U.S. operations headquartered in Atlanta, Georgia. OneSource was a provider of janitorial, landscaping, general repair and maintenance and other specialized services to commercial, industrial, institutional and retail facilities, primarily in the United States.

In 2008, the Company realized approximately $29.8 million of synergies before giving effect to the costs to achieve these synergies in connection with the OneSource acquisition. These synergies were achieved primarily through a reduction in duplicative positions and back office functions, the consolidation of facilities, and the reduction in professional fees and other services. The Company continues to achieve annual synergies related to the OneSource acquisition. The Company expects to realize between $45 million and $50 million of annual synergies in 2009 before giving effect to the costs to achieve these synergies.

The Company's revenues at its Janitorial, Security and Engineering divisions are substantially based on the performance of labor-intensive services at contractually specified prices. Revenues generated by the Parking division relate to parking and transportation services which are less labor-intensive. The Company's revenues are primarily impacted by the ability to retain and attract customers, the addition of industrial customers, commercial occupancy levels, air travel, tourism and transportation at colleges and universities.

The Company's largest segment is its Janitorial segment, which accounted for 68.6% of the Company's revenues and 75.3% of its operating profit before Corporate expenses in the three months ended January 31, 2009.

The Company's contracts at the Janitorial, Security and Engineering divisions are either fixed-price, "cost-plus" (*i.e.*, the customer agrees to reimburse the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage), time-and-materials based, or square footage based. In addition to services defined within the scope of the contract, the Janitorial division also generates revenues from extra services (or tags), such as additional cleaning requirements with extra services generally providing higher margins. The quarterly profitability of fixed-price contracts is impacted by the variability of the number of work days in the quarter and square footage-based contracts are impacted by changes in vacancy rates. The Parking division principally has two types of arrangements, leased-lot or managed-lot. Under leased-lot arrangements, the Company leases the parking facility from the owner and is responsible for all expenses incurred, retains all revenues from monthly and transient parkers and pays rent to the owner per the terms and conditions of the lease. Under the management contracts, the Company manages the parking facility for the owner in exchange for a management fee, which may be a fixed fee, a performance-based fee, such as a percentage of gross or net revenues, or a combination of both.

The majority of the Company's contracts are for one to three year periods, but are subject to termination by either party after 30 to 90 days' written notice. Upon renewal of a contract, the Company may renegotiate the price, although competitive pressures and customers' price sensitivities could inhibit the Company's ability to pass on cost increases. Such cost increases include, but are not limited to, labor costs, workers' compensation and other insurance costs, any applicable payroll taxes and fuel costs. However, for some renewals, the Company is able to restructure the scope and terms of the contract to maintain or increase profit margin.

Revenues have historically been the major source of cash for the Company, while payroll expenses, which are substantially related to revenues, have been the largest use of cash. Accordingly, operating cash flows primarily depend on the revenues level and timing of collections, as well as the quality of the related receivables. The Company's trade accounts receivable, net, balance was $500.1 million at January 31, 2009. Trade accounts receivable that were over 90 days past due were $50.5 million and $51.0 million at January 31, 2009 and October 31, 2008, respectively. The timing and level of payments to suppliers and other vendors, as well as the magnitude of self-insured claims, also affect operating cash flows. The Company's management views operating cash flows as a good indicator of financial strength. Strong operating cash flows provide opportunities for growth both internally and through acquisitions. Cash flows from total operating activities, including cash flows from discontinued operating activities, increased $51.0 million for the three months ended January 31, 2009, compared to the three months ended January 31, 2008.

The Company self-insures certain insurable risks such as general liability, automobile, property damage, and workers' compensation. The Company periodically evaluates its estimated claim costs and liabilities and accrues self-insurance reserves to its best estimate three times during the fiscal year. Management also monitors new claims and claim development to assess appropriate levels of insurance reserves. The estimated future charge is intended to reflect recent experience and trends. The trend analysis is complex and highly subjective. The interpretation of trends requires knowledge of many factors that may or may not be reflective of adverse or favorable developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). Trends may also be impacted by changes in safety programs or claims handling practices. If the trends suggest that the frequency or severity of claims incurred has changed, the Company might be required to record increases or decreases in expenses for self-insurance liabilities. There was no actuarial evaluation performed during the three months ended January 31, 2009. As a result, there were no changes to the self-insurance reserve for ultimate losses relating to prior years. Accordingly, the Company's self-insurance expense for the three months ended January 31, 2009 is based upon actuarial assumptions developed in 2008.

Due to the weak economic climate, the Company continues to experience pricing pressures on its customer base. Despite the weak economic climate, operating profit increased in all the business divisions during the three months ended January 31, 2009 compared to the three months ended January 31, 2008. In general, this increase was attributable to the Company's ability to maintain acceptable gross profit margins and operating profit, which included the realization of synergies from the OneSource acquisition. Achieving the desired levels of revenues and profitability in the future will depend on the Company's ability to retain and attract, at acceptable profit margins, more customers than it loses, to pass on cost increases to customers, and to keep overall costs low to remain competitive, particularly against privately-owned facility services companies that typically have a lower cost advantage.

Liquidity and Capital Resources

(in thousands)	January 31, 2009	October 31, 2008	Change
Cash and cash equivalents	$ 11,962	$ 710	$11,252
Working capital	$279,523	$273,980	$ 5,543

(in thousands)	Three Months Ended January 31, 2009	2008	Change
Net cash provided by (used in) operating activities	$26,079	$ (24,941)	$ 51,020
Net cash used in investing activities	$ (5,649)	$(419,282)	$(413,633)
Net cash provided by (used in) financing activities	$ (9,178)	$ 311,264	$(320,442)

Cash provided by operations and financing activities have historically been used for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. As of January 31, 2009 and October 31, 2008, the Company's cash and cash equivalents totaled $12.0 million and $0.7 million, respectively. The increase in cash of $11.3 million is principally due to the timing of net borrowings under the Company's line of credit.

The Company believes that the current cash and cash equivalents, cash generated from operations and amounts available under its $450.0 million line of credit will be sufficient to meet the Company's cash requirements for the long-term, except to the extent cash is required for significant acquisitions, if any.

Working Capital. Working capital increased by $5.5 million to $279.5 million at January 31, 2009 from $274.0 million at October 31, 2008. The increase was primarily due to the $11.3 million increase in cash and cash equivalents and the $26.8 million increase in trade accounts receivable, net, offset by the timing of trade accounts payable and accrued liability payments and the collection of accounts receivable from discontinued operations. Trade accounts receivable that were over 90 days past due were $50.5 million and $51.0 million at January 31, 2009 and October 31, 2008, respectively.

Cash Flows from Operating Activities. Net cash provided by operating activities was $26.1 million for the three months ended January 31, 2009, compared to net cash used of $24.9 million for the three months ended January 31, 2008. The increase in cash flows from operating activities of $51.0 million is due to an increase in net income of $7.9 million in the three months ended January 31, 2009 as compared to the three months ended January 31, 2008, a $20.1 million net decrease in changes in continuing operating assets and liabilities and a $18.2 million decrease in discontinued trade accounts receivables, net, primarily due to collections during the three months ended January 31, 2009. The net changes in operating assets and liabilities were principally related to changes in trade accounts receivable, net, the payment of funds held in escrow of $7.2 million to the shareholder of Southern Management and the timing of payments for accounts payable and other accrued liabilities. Net cash provided by discontinued operating activities was $12.6 million for the three months ended January 31, 2009 compared to $1.9 million used for the three months ended January 31, 2008.

Cash Flows from Investing Activities. Net cash used in investing activities for the three months ended January 31, 2009 was $5.6 million, compared to $419.3 million for the three months ended January 31, 2008. The decrease was primarily due to the $390.5 million and $24.4 million paid for OneSource and the remaining 50% of the equity of Southern Management, respectively, in the three months ended January 31, 2008. No significant cash flows were provided by discontinued investing activities for the three months ended January 31, 2009 and 2008.

Cash Flows from Financing Activities. Net cash used in financing activities was $9.2 million for the three months ended January 31, 2009, compared to net cash provided by of $311.3 million for the three months ended January 31, 2008. In the three months ended January 31, 2008, the Company's net borrowings of $316.0 million from the Company's line of credit was primarily due to the acquisition of OneSource and purchase of the remaining 50% of the equity of Southern Management Company. No cash flows were provided by discontinued financing activities for the three months ended January 31, 2009 and 2008.

Line of Credit. In connection with the acquisition of OneSource, ABM entered into a $450.0 million five year syndicated line of credit that is scheduled to expire on November 14, 2012 (the "Facility"). The line of credit is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures, and other general corporate purposes.

As of January 31, 2009, the total outstanding amounts under the Facility in the form of cash borrowings and standby letters of credit were $227.0 million and $118.4 million, respectively. Available credit under the line of credit was $104.6 million as of January 31, 2009.

The Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness and certain transactions and payments. In addition, the Facility also requires that ABM maintain the following three financial covenants which are described in the Financial Statements set forth in the Company's Annual Report on Form 10-K/A, as defined: (1) a fixed charge coverage ratio, (2) a leverage ratio and (3) a combined net worth. The Company was in compliance with all covenants as of January 31, 2009 and expects to be in compliance for the foreseeable future.

Subsequent to January 31, 2009, the Company entered into a two-year interest rate swap agreement with a notional amount of $100.0 million, involving the exchange of floating- for fixed-rate interest payments. The Company will receive floating-rate interest payments that offset the LIBOR component of the interest due on $100 million of the Company's floating-rate debt and make fixed-rate interest payments of 1.47% over the life of the interest rate swap. The Company will assess the effectiveness of the Company's hedging strategy using the method described in Derivatives Implementation Group Statement 133 Implementation Issue No. G9, "Cash Flow Hedges: Assuming No Ineffectiveness When Critical Terms of the Hedging Instrument and the Hedged Transaction Match in a Cash Flow Hedge." Accordingly, changes in fair value of the interest rate swap agreement are expected to be offset by changes in the fair value of the underlying debt.

Commitments and Contingencies

Commitments

On January 20, 2009, ABM and International Business Machines Corporation ("IBM"), entered into a binding Memorandum of Understanding (the "MOU") pursuant to which ABM and IBM agreed to: (1) terminate certain services currently provided by IBM to ABM under the Master Professional Services Agreement dated October 1, 2006 (the "Agreement"); (2) transition the terminated services to ABM and/or its designee; (3) resolve certain other disputes arising under the Agreement; and (4) modify certain terms applicable to services that IBM will continue to provide to ABM. In connection with the execution of the MOU, ABM delivered to IBM a formal notice terminating for convenience certain information technology and support services effective immediately (the "Termination"). Notwithstanding the Termination, the MOU contemplated (1) that IBM would assist ABM with the transition of the terminated services to ABM or its designee pursuant to an agreement (the "Transition Agreement") to be executed by ABM and IBM and (2) the continued provision by IBM of certain data center services. On February 24, 2009, ABM and IBM entered into an amended and restated Agreement, which amends the agreement (the "Amended Agreement"), and the Transition Agreement, which memorializes the termination-related provisions of the MOU as well as other terms related to the transition services. Under the Amended Agreement, the base fee for the provision of the defined data center services is $18.8 million payable over the service term (March 2009 through December 2013) as follows: 2009 — $3.6 million; 2010 — $4.4 million; 2011 — $4.0 million ; 2012 — $3.3 million; 2013 -- $3.0 million and 2014 — $0.5 million.

In connection with the Termination, ABM has agreed to: (1) reimburse IBM for certain actual employee severance costs, up to a maximum of $0.7 million, provided ABM extends comparable offers of employment to a minimum number of IBM employees; (2) reimburse IBM for certain early termination costs, as defined, including third party termination fees and/or wind down costs totaling approximately $0.4 million associated with software, equipment and/or third party contracts used by IBM in performing the terminated services, and (3) pay IBM fees and expenses for requested transition assistance which are estimated to be approximately $0.4 million.

Contingencies

The Company is subject to various legal and arbitration proceedings and other contingencies that have arisen in the ordinary course of business. In accordance with SFAS No. 5, "Accounting for Contingencies", the Company accrues the amount of probable and estimable losses related to such matters. At January 31, 2009, the total amount of probable and estimable losses accrued for legal and other contingencies was $7.0 million. However, the ultimate resolution of legal and arbitration proceedings and other contingencies is always uncertain. If actual losses materially exceed the estimates accrued, the Company's financial condition and results of operations could be materially adversely affected.

In November 2008, the Company and its former third party administrator of workers' compensation claims settled a claim in arbitration for net proceeds of $9.6 million, after legal expenses, related to poor claims management, which amount was received by the Company during January 2009 and was classified as reduction in operating expense in the accompanying condensed consolidated statement of income for the three months ended January 31, 2009.

Off-Balance Sheet Arrangements

The Company is party to a variety of agreements under which it may be obligated to indemnify the other party for certain matters. Primarily, these agreements are standard indemnification arrangements entered into in its ordinary course of business. Pursuant to these arrangements, the Company may agree to indemnify, hold harmless and reimburse the indemnified parties for losses suffered or incurred by the indemnified parties, generally its customers, in connection with any claims arising out of the services that the Company provides. The Company also incurs costs to defend lawsuits or settle claims related to these indemnification arrangements and in most cases, these costs are included in its insurance program. The term of these indemnification arrangements is generally perpetual with respect to claims arising during the service period. Although the Company attempts to place limits on this indemnification reasonably related to the size of the contract, the maximum obligation may not be explicitly stated and, as a result, the maximum potential amount of future payments the Company could be required to make under these arrangements is not determinable.

ABM's certificate of incorporation and bylaws may require it to indemnify Company directors and officers against liabilities that may arise by reason of their status as such and to advance their expenses incurred as a result of any legal proceeding against them as to which they could be indemnified. ABM has also entered into indemnification agreements with its directors to this effect. The overall amount of these obligations cannot be reasonably estimated, however, the Company believes that any loss under these obligations would not have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company currently has directors' and officers' insurance, which has a deductible of up to $1.0 million.

Results of Continuing Operations

Three Months Ended January 31, 2009 vs. Three Months Ended January 31, 2008

($ in thousands)	Three Months Ended January 31, 2009	% of Revenues	Three Months Ended January 31, 2008	% of Revenues	Increase (Decrease) $	Increase (Decrease) %
Revenues	$ 887,472	100.0%	$ 887,792	100.0%	$ (320)	0.0%
Expenses						
Operating	787,268	88.7%	803,953	90.6%	(16,685)	-2.1%
Selling, general and administrative	71,387	8.0%	66,442	7.5%	4,945	7.4%
Amortization of intangible assets	2,823	0.3%	2,381	0.3%	442	18.6%
Total expense	861,478	97.1%	872,776	98.3%	(11,298)	-1.3%
Operating profit	25,994	2.9%	15,016	1.7%	10,978	73.1%
Interest expense	1,668	0.2%	4,610	0.5%	(2,942)	-63.8%
Income from continuing operations before income taxes	24,326	2.7%	10,406	1.2%	13,920	133.8%
Provision for income taxes	9,571	1.1%	4,139	0.5%	5,432	131.2%
Income from continuing operations	14,755	1.7%	6,267	0.7%	8,488	135.4%
Discontinued Operations						
Income (loss) from discontinued operations, net of taxes	(538)	NM*	97	NM*	(635)	NM*
Net income	$ 14,217	1.6%	$ 6,364	0.7%	$ 7,853	123.4%

* Not meaningful

Net Income. Net income in the three months ended January 31, 2009 increased by $7.9 million, or 123.4%, to $14.2 million ($0.28 per diluted share) from $6.4 million ($0.13 per diluted share) in the three months ended January 31, 2008. Net income included a loss of $0.5 million ($0.01 per diluted share) and income of $0.1 million ($0.00 per diluted share) from discontinued operations in the three months ended January 31, 2009 and 2008, respectively.

Income from continuing operations in the three months ended January 31, 2009 increased by $8.5 million, or 135.4%, to $14.8 million ($0.29 per diluted share) from $6.3 million ($0.13 per diluted share) in the three months ended January 31, 2008. The increase was primarily a result of : (a) $13.2 million increase in divisional operating profit primarily resulting from realized synergies during the three months ended January 31, 2009 from the continuing integration of OneSource and lower labor expenses resulting from one less working day in the three months ended January 31, 2009 compared to the three months ended January 31, 2008, (b) a $9.6 million net legal settlement received in January 2009 from the Company's former third party administrator of workers' compensation claims related to poor claims management, and (c) $2.9 million decrease in interest expense as a result of a lower average outstanding balance under the Facility and a lower average interest rate relating to borrowings under the Facility in the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The favorable impact of these items was partially offset by the following: (a) $6.0 million increase in information technology costs related to the upgrade of the payroll, human resources and accounting systems, combined with higher depreciation costs, (b) $5.4 million increase in income taxes, (c) $1.3

million increase is professional fees, (d) $1.1 million increase in expenses associated with the integration of OneSource's operations, (e) $0.8 million increase in costs associated with the rollout of the Shared Services Center in Atlanta, and (f) $0.4 million increase in share-based compensation expenses.

Revenues. Revenues in the three months ended January 31, 2009 of $887.5 million were relatively flat compared to $887.8 million in the three months ended January 31, 2008. The increase in revenues at the Security and Janitorial divisions of $4.6 million and $2.4 million, respectively, is offset by decreases in Engineering and Parking revenues of $4.6 million and $2.3 million, respectively. The increase in Security revenues is primarily due to new customers and expansion of services to existing customers. The increase in Janitorial revenues was primarily due to the acquisition of OneSource on November 14, 2007 offset by pressures on its customer base. The decrease in Engineering revenues was primarily due to the loss of low margin revenues and the effects of one less work day in the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The decrease in Parking revenues was primarily related to reductions in management reimbursement revenues which has a nominal impact on operating profit.

Operating Expenses. As a percentage of revenues, gross margin was 11.3% and 9.4% in the three months ended January 31, 2009 and 2008, respectively. The increase in gross margin percentage was primarily the result of the net legal settlement received for $9.6 million in January 2009 from the Company's former third party administrator related to poor claims management.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $4.9 million, or 7.4%, in the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The increase primarily relates to a $6.0 million increase in information technology costs related to the upgrade of the payroll, human resources and accounting systems combined with higher depreciation costs, partially offset by a $0.6 million decrease in expenses related to severance and retention bonuses associated with the move of the Company's headquarters to New York in fiscal year 2008.

Interest Expense. Interest expense in the three months ended January 31, 2009 decreased $2.9 million, or 63.8%, to $1.7 million from $4.6 million in the three months ended January 31, 2008. The decrease was primarily related to a lower average outstanding balance under the Facility and a lower average interest rate in the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The average outstanding balance under the Company's line of credit was $237.0 million and $298.7 million during the three months ended January 31, 2009 and 2008, respectively.

Income Taxes. The effective tax rate on income from continuing operations for the three months ended January 31, 2009 was 39.3%, compared to the 39.8% used for the three months ended January 31, 2008.

Segment Information. In accordance with Statement Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information," Janitorial, Parking, Security, and Engineering are reportable segments. In connection with the discontinued operation of the Lighting division, the operating results of Lighting are classified as discontinued operations and, as such, are not reflected in the tables below.

Most Corporate expenses are not allocated. Such expenses include the adjustments to the Company's self-insurance reserves relating to prior years, severance costs associated with the integration of OneSource's operations into the Janitorial segment, the Company's share-based compensation costs, and certain information technology costs. Until damages and costs are awarded or a matter is settled, the Company also accrues probable and estimable losses associated with pending litigation in Corporate. Segment Revenues and operating profits of the continuing reportable segments (Janitorial, Parking, Security, and Engineering) were as follows:

($ in thousands)	Three Months Ended January 31, 2009	2008	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Janitorial	$608,420	$606,045	$ 2,375	0.4%
Parking	115,669	118,011	(2,342)	-2.0%
Security	85,583	80,941	4,642	5.7%
Engineering	77,216	81,815	(4,599)	-5.6%
Corporate	584	980	(396)	-40.4%
	$887,472	$887,792	$ (320)	0.0%
Operating profit				
Janitorial	$ 32,311	$ 20,942	$11,369	54.3%
Parking	4,142	3,889	253	6.5%
Security	1,794	1,392	402	28.9%
Engineering	4,666	3,526	1,140	32.3%
Corporate	(16,919)	(14,733)	(2,186)	14.8%
Operating profit	25,994	15,016	10,978	73.1%
Interest expense	1,668	4,610	(2,942)	-63.8%
Income from continuing operations before income taxes	$ 24,326	$ 10,406	$13,920	133.8%

The results of operations from the Company's segments for the quarter ended January 31, 2009, compared to the same quarter in 2008, are more fully described below.

Janitorial. Janitorial revenues increased by $2.4 million to $608.4 million in the three months ended January 31, 2009 from $606.0 million in the three months ended January 31, 2008. The increase in revenues is due to the acquisition of OneSource on November 14, 2007 offset by contract price compression and reductions from existing customers in the scope of recurring work.

Operating profit increased $11.4 million, or 54.3%, during the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The increase was primarily attributable to the continued realization of synergies from the OneSource acquisition. The synergies were achieved through a reduction of duplicative positions and back office functions, the consolidation of facilities, and reduction of professional fees and other services. Additionally, operating profit increased due to lower labor expenses resulting from one less working day in the three months ended January 31, 2009 compared to the three months ended January 31, 2008.

Parking. Parking revenues decreased $2.3 million, or 2.0%, during the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The decrease was a result of a $4.4 million reduction in management reimbursement revenues related to managed parking facilities, which has a nominal impact on operating profit. The decrease in management reimbursement revenues was offset by a $2.0 million increase in allowance, lease and visitor parking revenues from new customers and an increased level of service to existing customers.

Operating profit increased $0.3 million, or 6.5%, during the three months ended January 31, 2009 compared to the three months ended January 31, 2008 due to additional profit from the increase in allowance, lease and visitor parking revenues.

Security. Security revenues increased $4.6 million, or 5.7%, in the three months ended January 31, 2009 compared to the three months ended January 31, 2008. The increase is primarily due to additional revenues generated from new customers and expansion of services to existing customers.

Operating profit increased $0.4 million, or 28.9%, during the three months ended January 31, 2009 compared to the three months ended January 31, 2008 due to additional profit from higher revenues.

Engineering. Engineering revenues decreased $4.6 million, or 5.6%, during the three months ended January 31, 2009 compared to the three months ended January 31, 2008, primarily due to the loss of low margin revenues and the effects of one less work day in the three months ended January 31, 2009 compared to the three months ended January 31, 2008, which was partially offset by the expansion of services to existing customers.

Operating profit increased by $1.1 million, or 32.3%, in the three months ended January 31, 2009 compared to the three months ended January 31, 2008, primarily due to increased revenues from higher profit margin business compared to business replaced.

Corporate. Corporate expense increased $2.2 million, or 14.8%, in the three months ended January 31, 2009 compared to the three months ended January 31, 2008, which was primarily due to: (a) $6.0 million increase in information technology costs related to the upgrade of the payroll, human resources and accounting systems, combined with higher depreciation costs, (b) $2.1 million increase in payroll and payroll related costs primarily due to an increased employee headcount, (c) $1.3 million increase is professional fees, (d) $1.1 million increase in expenses associated with the integration of OneSource's operations, (e) $0.8 million increase in costs associated with the rollout of the Shared Services Center in Atlanta, and (f) $0.4 million increase in share-based compensation expenses. The increase was offset by a net legal settlement received for $9.6 million in January 2009 related to poor claims management from the Company's former third party administrator of workers' compensation claims.

Discontinued Operations

The Company recorded a loss from discontinued operations of $0.9 million ($0.5 million, net of income tax benefits), or $0.01 per diluted share which primarily relates to severance related costs and selling, general and administrative transition costs.

The effective tax rate on income (loss) from discontinued operations for the three months ended January 31, 2009 was 39.6%, compared to the 50.3% used for the three months ended January 31, 2008.

Adoption of New Accounting Standards

Effective November 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157") for financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). The Company has not yet adopted SFAS No. 157 for non-financial assets and liabilities, in accordance with FASB Staff Position 157-2, "Effective Date of FASB Statement No. 157" ("FSP 157-2"), which defers the effective date of SFAS No. 157 to November 1, 2009, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed on a recurring basis.

Recent Accounting Pronouncements

In December 2008, the FASB issued FASB Staff Position No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("FSP FAS 132R-1"). FSP FAS 132R-1 expands the disclosures set forth in SFAS No. 132R by adding required disclosures about how investment allocation decisions are made by management, major categories of plan assets, and significant concentrations of risk. Additionally, FSP FAS 132R-1 requires an employer to disclose information about the valuation of plan assets similar to that required under SFAS No. 157. FSP FAS 132R-1 intends to enhance the transparency surrounding the types of assets and associated risks in an employer's defined benefit pension or other postretirement plan. FSP FAS 132R-1 will be effective beginning in fiscal year

2010. The Company does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In April 2008, the FASB issued FASB Staff Position 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). The objective of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), "Business Combinations," and other U.S. generally accepted accounting principles. FSP 142-3 will be effective beginning in fiscal year 2010. The Company is currently evaluating the impact that FSP 142-3 will have on its consolidated financial statements and disclosures.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS No. 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The provisions of SFAS 161 will be effective for the quarter ending April 30, 2009. The Company does not expect that the adoption will have a material impact on the Company's consolidated financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). The purpose of issuing the statement was to replace current guidance in SFAS No. 141 to better represent the economic value of a business combination transaction. The changes to be effected with SFAS No. 141R from the current guidance include, but are not limited to: (1) acquisition costs will be recognized separately from the acquisition; (2) known contractual contingencies at the time of the acquisition will be considered part of the liabilities acquired measured at their fair value and all other contingencies will be part of the liabilities acquired measured at their fair value only if it is more likely than not that they meet the definition of a liability; (3) contingent consideration based on the outcome of future events will be recognized and measured at the time of the acquisition; (4) business combinations achieved in stages (step acquisitions) will need to recognize the identifiable assets and liabilities, as well as noncontrolling interests, in the acquiree, at the full amounts of their fair values; and (5) a bargain purchase (defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree) will require that excess to be recognized as a gain attributable to the acquirer. The Company anticipates that the adoption of SFAS No. 141R will have an impact on the way in which business combinations will be accounted for compared to current practice. SFAS No. 141R will be effective for any business combination that occurs beginning in fiscal year 2010.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 was issued to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, that is, as equity in the consolidated financial statements. Moreover, SFAS No. 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS No. 160 will be effective beginning in fiscal year 2010. The Company is currently evaluating the impact that SFAS No. 160 will have on its consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115," ("SFAS No. 159"). SFAS No. 159 allows companies to elect to measure certain assets and liabilities at fair value and is effective for fiscal years beginning after November 15, 2007. The Company did not elect to utilize the fair value option permitted by SFAS No. 159 for any of the Company's assets or liabilities as of January 31, 2009.

Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates in the application of its accounting policies based on the best assumptions, judgments, and opinions of management. For a description of the Company's critical accounting policies, see Item 7, Management's Discussion and Analysis of Financial Conditions and Results of Operations, in the Company's 2008 Annual Report on Form 10-K/A for the year ended October 31, 2008.

The Company estimates its forfeiture rates for share-based equity awards based on historical data and adjusts the expected forfeiture rates annually or as needed. During the first quarter of 2009, the Company adjusted its estimated forfeiture rate to align with expected forfeitures and the effect of such adjustment was immaterial. There has been no other significant changes to the Company's critical accounting policies and estimates during the three months ended January 31, 2009.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q, and in particular, statements found in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature, constitute forward-looking statements. These statements are often identified by the words, "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend," and words of a similar nature. Such statements reflect the current views of ABM with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Any number of factors could cause the Company's actual results to differ materially from those anticipated. These factors include but are not limited to: (1) a slowdown in the Company's acquisition activity, diversion of management focus from operations as a result of acquisitions or failure to timely realize anticipated cost savings and synergies from acquisitions; (2) functional delays and resource constraints related to the Company's transition to new information technology systems; (3) unanticipated costs associated with the transition of certain IT services from IBM to third-party vendors or associated with providing those services internally, and service disruptions or the failure or delay of certain projects relating to the Company's IT platforms and systems occasioned by such transition; (4) resource constraints relating to the support of multiple concurrent projects or the inability to complete certain projects on schedule; (5) disruption in functions affected by the transition to Shared Services Centers; (6) the inability to collect accounts receivable retained by the Company in connection with the sale of its lighting business; (7) changes in estimated claims or in the frequency or severity of claims against the Company, deterioration in claims management, cancellation or non-renewal of the Company's primary insurance policies or changes in the Company's customers' insurance needs; (8) increase in debt service requirements; (9) further declines in commercial office building occupancy and rental rates relating to a deepening of the current recession; (10) the inability of customers to access the credit markets impacting the Company's ability to collect receivables; (11) labor disputes leading to a loss of sales or expense variations; (12) loss of long-term customers or financial difficulties or bankruptcy of a major customer or multiple customers; (13) intense competition that lowers revenue or reduces margins; (14) an increase in costs that the Company cannot pass on to customers; (15) natural disasters or acts of terrorism that disrupt the Company in providing services; (16) events or circumstances that may result in impairment of goodwill recognized on the OneSource or other acquisitions; (17) significant accounting and other control costs that reduce the Company's profitability; and (18) the unfavorable outcome in one or more of the several class and representative action lawsuits alleging various wage and hour claims. Other issues and uncertainties may include: unanticipated adverse jury determinations, judicial rulings or other developments in litigation to which the Company is subject, new accounting pronouncements or changes in accounting policies, changes in U.S. immigration law that raise the Company's administration costs, labor shortages that adversely affect the Company's ability to employ entry level personnel, legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers, a reduction or revocation of the Company's line of credit that increases interest expense and the cost of capital; and the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company. Additional information regarding these and other risks and uncertainties the Company faces is contained in the Company's Annual Report on Form 10-K/A for the fiscal year ended October 31, 2008, and in other reports it files from time to time with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Sensitive Instruments

The Company's primary market risk exposure is interest rate risk. The potential impact of adverse increases in this risk is discussed below. The following sensitivity analysis does not consider the effects that an adverse change may have on the overall economy nor does it consider actions the Company may take to mitigate its exposure to these changes. Results of changes in actual rates may differ materially from the following hypothetical results.

Interest Rate Risk

The Company's exposure to interest rate risk relates primarily to its cash equivalents and London Interbank Offered Rate (LIBOR) and Interbank Offered Rate (IBOR) based borrowings under the $450.0 million five year syndicated line of credit that expires in November 2012. At January 31, 2009, outstanding LIBOR and IBOR based borrowings of $227.0 million represented 100% of the Company's total debt obligations. While these borrowings mature over the next 60 days, the line of credit facility the Company has in place will continue to allow it to borrow against the line of credit through November 2012. The Company anticipates borrowing similar amounts for periods of one week to three months. If interest rates increase 1% and the loan balance remains at $227.0 million, the impact on the Company's results of operations for the remainder of 2009 would be approximately $1.7 million of additional interest expense.

Subsequent to January 31, 2009, the Company entered into a two-year interest rate swap agreement with a notional amount of $100.0 million, involving the exchange of floating- for fixed-rate interest payments. The Company will receive floating-rate interest payments that offset the LIBOR component of the interest due on $100 million of the Company's floating-rate debt and make fixed-rate interest payments of 1.47% over the life of the interest rate swap. The Company will assess the effectiveness of the Company's hedging strategy using the method described in Derivatives Implementation Group Statement 133 Implementation Issue No. G9, "Cash Flow Hedges: Assuming No Ineffectiveness When Critical Terms of the Hedging Instrument and the Hedged Transaction Match in a Cash Flow Hedge." Accordingly, changes in fair value of the interest rate swap agreement are expected to be offset by changes in the fair value of the underlying debt.

As of January 31, 2009, the Company held investments in auction rate securities from five different issuers. The Company continues to receive the scheduled interest payments from the issuers of the securities except for one issuer who issued a notice of default during January 2009. The scheduled interest and principal payments of that security are guaranteed by a U.K. financial guarantee insurance company which made the guaranteed interest payment as scheduled. As of January 31, 2009, the Company had $18.9 million in auction rate securities. For the three months ended January 31, 2009, unrealized losses of $0.08 million, net of taxes, were charged to accumulated other comprehensive loss as a result of declines in the fair value of the Company's auction rate securities. (See Note 12 of the Notes to the Condensed Consolidated Financial Statements contained in Item 1, "Condensed Consolidated Financial Statements.") The Company intends and believes it has the ability to hold these securities until the value recovers or the securities mature. Based on the Company's ability to access its cash, its expected operating cash flows, and other sources of cash, the Company does not anticipate that the lack of liquidity of these investments will affect the Company's ability to operate its business in the ordinary course. The unrealized loss is included in accumulated other comprehensive income as the decline in value is deemed to be temporary due primarily to the Company's ability and intent to hold these securities long enough to recover its investments. The Company continues to monitor the market for auction rate securities and considers its impact (if any) on the fair market value of its investments. If the current market conditions continue, or the anticipated recovery in market values does not occur, the

Company may be required to record additional unrealized losses or record an impairment charge in subsequent quarters in 2009.

Substantially all of the operations of the Company are conducted in the United States, and, as such, are not subject to material foreign currency exchange rate risk.

Item 4. Controls and Procedures

a. Disclosure Controls and Procedures. As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Securities Exchange Act of 1934 (the Exchange Act), the Company's principal executive officer and principal financial officer evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, these officers concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, these disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and include controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

b. Changes in Internal Control Over Financial Reporting. The Company is continuing to migrate its financial and payroll systems to a new consolidated financial and payroll platform as part of an on-going development of these systems which is expected to continue through fiscal 2009.

Except as discussed above, there were no changes in the Company's internal control over financial reporting during the quarter ended January 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and legal proceedings of a nature considered normal to its business, as well as, from time to time, in additional matters. The Company records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available.

The Company is a defendant in the following purported class action lawsuits related to alleged violations of federal or state wage-and-hour laws: (1) the consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services (ACSS) filed July 12, 2005, in the Superior Court of California, Los Angeles County (L.A. Superior Ct.); (2) the consolidated cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco; (3) the consolidated cases of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (Batiz); (4) the consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006, in L.A. Superior Ct; (5) Chen v. Ampco System Parking and ABM Industries filed on March 6, 2008, in the U.S. District Court of California, Southern District; and (6) Khadera v. American Building Maintenance Co.-West and ABM Industries filed on March 24, 2008, in U.S District Court of Washington, Western District. The named plaintiffs in these lawsuits are current or former employees of ABM subsidiaries who allege, among other things, that they were required to work "off the clock," were not paid for all overtime, were not provided work breaks or other benefits, and/or that they received pay stubs not conforming to state law. In all cases, the plaintiffs generally seek unspecified monetary damages, injunctive relief or both. The

Company believes it has meritorious defenses to these claims and intends to continue to vigorously defend itself.

On January 8, 2009, a judge of the California Superior Court certified as a class action the consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services (ACSS). ABM intends to appeal this decision. On January 15, 2009, a federal court judge denied with prejudice class certification status in the case Villacres v. ABM Security filed on August 15, 2007, in the U.S. District Court of California, Central District.

The Company self-insures certain insurable risks and, based on its periodic evaluations of estimated claim costs and liabilities, accrues self-insurance reserves to the Company's best estimate. One such evaluation, completed in November 2004, indicated adverse developments in the insurance reserves that were primarily related to workers' compensation claims in the state of California during the four-year period ended October 31, 2003 and resulted in the Company recording a charge of $17.2 million in the fourth quarter of 2004. In 2005, the Company, believing a substantial portion of the $17.2 million, as well as other costs incurred by the Company in its insurance claims, was related to poor claims management by a third party administrator that no longer performs these services for the Company, filed an arbitration claim against this third party administrator for damages related to claims mismanagement. In November 2008, the Company and its former third party administrator settled the claim for $9.8 million ($9.6 million, net of expenses). The Company received the $9.8 million settlement amount in January 2009.

In August 2005, ABM filed an action for declaratory relief, breach of contract and breach of the implied covenant of good faith and fair dealing in U.S. District Court in The Northern District of California against its insurance carriers, Zurich American Insurance Company (Zurich American) and National Union Fire Insurance Company (National Union) relating to the carriers' failure to provide coverage for ABM and one of its Parking subsidiaries. In September 2006, the Company settled its claims against Zurich American for $0.4 million. Zurich American had provided $0.85 million in coverage. In early 2006, ABM paid $6.3 million in settlement costs in the litigation with IAH-JFK Airport Parking Co., LLC and sought to recover $5.3 million of these settlement costs and legal fees from National Union. In September 2006, the Company lost a motion for summary adjudication filed by National Union on the issue of the duty to defend. The Company appealed that ruling and filed its reply brief in March 2007; oral arguements were heard in July 2008. The Ninth Circuit Court has denied the Company's appeal, affirmed the summary adjudication and dismissed the case.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in the Company's Annual Report on Form 10-K/A for the fiscal year ended October 31, 2008, which to the Company's knowledge have not materially changed other than as set forth below. Those risks, which could materially affect the Company's business, financial condition or future results, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect the Company's business, financial condition and/or operating results.

Our transition to new information technology systems may result in functional delays and resource constraints. Although we use centralized accounting systems, we rely on a number of legacy information technology systems, particularly our payroll systems, as well as manual processes, to operate. These systems and processes may be unable to provide adequate support for the business and create excessive reliance upon manual rather than system controls. Use of the legacy payroll systems could result, for instance, in delays in meeting payroll obligations, in difficulty calculating and tracking appropriate governmental withholding and other payroll regulatory obligations, and in higher internal and external expenses to work around these systems. Additionally, the current technology environment is unable to support the integration of acquired businesses and anticipated organic growth.

Effective October 2006, the Company entered into a Master Professional Services Agreement with IBM to obtain information technology infrastructure and support services. On February 24, 2009, the Company entered into an amendment to the Master Professional Services Agreement with IBM and a Transition Agreement with IBM which agreements, among other things, change the scope of services to be provided by IBM under the Master Professional Services Agreement and provide for the transition of certain services to ABM or other service professionals. In addition to bringing certain services in-house, the Company currently is in negotiations or has recently signed agreements with various third-party information service companies to provide certain services to the Company following a period during which IBM will transition certain services to these providers. Bringing work in-house or transitioning to these new service providers could result in potential service disruptions or the failure of current projects which are under development relating to the Company's information technology platforms and systems. In addition to the risk of potential failure in each project, supporting multiple concurrent projects, and moving away from IBM as a provider of one or more of these services may result in resource constraints and the inability to complete projects on schedule, which could negatively impact the Company's operations.

The acquisition of OneSource necessitates information technology system integration and consolidation. The Company is continuing to use the OneSource information technology systems during the transition period and will then transfer OneSource operations to the Company's new payroll and human resources information system and the upgraded accounting systems. To the extent that the Company continues to use IBM or other third-parties for various services, the risks associated with outsourcing include the dependence upon a third party for essential aspects of the Company's business and risks to the security and integrity of the Company's data in the hands of third parties. The Company may also have potentially less control over costs associated with necessary systems when they are supported by a third party, as well as potentially less responsiveness from vendors than employees.

Item 5. Other Information

On March 2, 2009, the Company's Board of Directors (1) amended the Company's Corporate Governance Principles (the "Principles") to clarify certain timing requirements with respect to stockholder nominations for director candidates and (2) approved a new form of indemnification agreement for directors. A copy of the Principles, as amended, appears on the Company's website at http://www.abm.com. The form of indemnification agreement is attached hereto as Exhibit 10.5. The Company anticipates entering into the new form of indemnification agreement with each of its directors during the quarter ending April 30, 2009.

Item 6. Exhibits

(a) Exhibits

10.1	IBM Master Professional Services Agreement, as amended February 24, 2009 (incorporated by reference from Exhibit 10.1 to registrant's Amendment No. 1 to Form 8-K Current Report dated January 20, 2009) (File No. 1-8929).
10.2	Transition Agreement dated February 24, 2009 (incorporated by reference from Exhibit 10.2 to registrant's Amendment No. 1 to Form 8-K Current Report dated January 20, 2009) (File No. 1-8929).
10.3	2006 Equity Incentive Plan, as amended and restated on January 13, 2009.
10.4	Form of Executive Change in Control Agreement (incorporated by reference from Exhibit 10.1 to registrant's Form 8-K Current Report dated December 30, 2008, and from Exhibit 10.1 to registrant's Amendment No. 1 to Form 8-K Current Report dated December 30, 2008) (File No. 1-8929).
10.5	Form of Director Indemnification Agreement.
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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.

	ABM Industries Incorporated
March 6, 2009	/s/ James S. Lusk James S. Lusk Executive Vice President and Chief Financial Officer (Duly Authorized Officer)
March 6, 2009	/s/ Joseph F. Yospe Joseph F. Yospe Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

2006 EQUITY INCENTIVE PLAN
As amended and restated January 13, 2009

1. PURPOSE.

This 2006 Equity Incentive Plan is intended to provide incentive to Employees and Directors of ABM Industries Incorporated (the "Company") and its eligible Affiliates, to encourage proprietary interest in the Company and to encourage Employees and Directors to remain in the service of the Company or its Affiliates.

2. DEFINITIONS.

(a) "*Administrator*" means the Board or the Committee appointed to administer the Plan, or a delegate of the Board as provided in Section 4(c).

(b) "*Affiliate*" means any entity, whether a corporation, partnership, joint venture or other organization that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

(c) "*After-Tax Amount*" means any amount to be received by an Executive in connection with a Change in Control determined on an after-tax basis taking into account the excise tax imposed pursuant to Code Section 4999, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes.

(d) "*Award*" means any award of an Option, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or an Other Share-Based Award under the Plan.

(e) "*Award Agreement*" means the agreement between the Company and the recipient of an Award which contains the terms and conditions pertaining to the Award.

(f) "*Beneficiary*" means a person designated as such by a Participant or a Beneficiary for purposes of the Plan or determined with reference to Section 20.

(g) "*Board*" means the Board of Directors of the Company.

(h) "*Cause*" means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties for an Employer, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Participant's performance of his or her employment duties, (vi) the breach of an employment agreement, including covenants not to compete, or any other agreement between Participant and an Employer, (vii) the breach of fiduciary duties to an Employer or any securities laws applicable to the Company, (viii) other misconduct, unethical or unlawful activity, (ix) being charged with a crime involving a fraud, embezzlement or theft in connection with Participant's duties or in the course of Participant's employment with an Employer, (x) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof, or (xi) a conviction of or plea of "guilty" or "no contest" to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

(i) "*Change in Control*" means, unless otherwise set forth in an award agreement, that any of the following events occurs:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") (A) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 35% of the combined voting power of the then-outstanding Voting Stock of the Company or succeeds in having nominees as directors elected in an "election contest" within the meaning of Rule 14a-12(c) under the Exchange Act and (B) within 18 months thereafter, individuals who were members of the Board of Directors of the Company immediately prior to either such event cease to constitute a majority of the members of the Board of Directors of the Company;

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger, consolidation, plan of liquidation or dissolution, recapitalization or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another Company, or other transaction (each, a "Business Transaction"), unless, in any such case, (A) no Person (other than the Company, any entity resulting from such Business Transaction or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction and (B) at least one-half of the members of the Board of Directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement providing for such Business Transaction.

(j) "*Code*" means the Internal Revenue Code of 1986, as amended.

(k) "*Committee*" means the Officer Compensation and Stock Option Committee of the Board.

(l) "*Common Stock*" means the $.01 par value common stock of the Company.

(m) "*Company*" means ABM Industries Incorporated, a Delaware Company.

(n) "*Covered Employee*" shall have the meaning assigned in Code Section 162(m), as amended, which generally includes the chief executive officer or any Employee whose total compensation for the taxable year is required to be reported to shareholders under the Exchange Act by reason of such Employee being among the four highest compensated officers for the taxable year (other than the chief executive officer).

(o) "*Director*" means a director of the Company.

(p) "*Disability*" or "*Disabled*" means, unless otherwise set forth in an award agreement, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(q) "*Employee*" means an individual employed by the Company or an Affiliate (within the meaning of Code Section 3401 and the regulations thereunder).

(r) "*Employer*" means the Company or an Affiliate, which is the employer of a Participant.

(s) "*Excess Parachute Payment*" means a payment that creates an obligation for an Executive to pay excise taxes under Code Section 280G or any successor provision thereto.

(t) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

(u) "*Exercise Price*" means the price per Share of Common Stock at which an Option or Stock Appreciation Right may be exercised.

(v) "*Fair Market Value*" of a Share as of a specified date means the closing price at which Shares are traded on such date as reported in the New York Stock Exchange composite transactions published in the Wall Street Journal, or if no trading of Shares is reported for that day, on the next following day on which trading is reported; provided that for purposes of determining the exercise price of an Incentive Stock Option the Fair Market Value of a Share as of the date of grant means the average of the opening and closing price at which Shares are traded on such date as reported in the New York Stock Exchange composite transactions published in the Wall Street Journal, or if no trading of Shares is reported for that day, on the next preceding day on which trading was reported.

(w) "*Family Member*" means any person identified as an "immediate family" member in Rule 16(a)-1(c) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

(x) "*Full Value Award*" means an Award denominated in Shares that does not provide for full payment in cash or property by the Participant.

(y) "*Incentive Stock Option*" means an Option described in Code Section 422(b).

(z) "*Incumbent Directors*" means the individuals who, as of the date of adoption of this Plan, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company's shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(aa) "*Nonqualified Stock Option*" means an Option not described in Code Section 422(b) or 423(b).

(bb) "*Option*" means a stock option granted pursuant to Section 7.

(cc) "*Other Share-Based Award*" means an Award granted pursuant to Section 12.

(dd) "*Outside Director*" means a Director who is not an Employee.

(ee) "*Participant*" means an Employee or Director who has received an Award.

(ff) "*Performance Shares*" means an Award denominated in Shares granted pursuant to Section 11 that may be earned in whole or in part based upon attainment of performance objectives established by the Administrator pursuant to Section 14.

(gg) "*Plan*" means this 2006 Stock Incentive Plan.

(hh) "*Prior Plans*" means the Company's 2002 Price-Vested Stock Option Plan, the 1996 Price-Vested Stock Option Plan and the Time-Vested Stock Option Plan.

(ii) "*Purchase Price*" means the Exercise Price times the number of whole Shares with respect to which an Option is exercised.

(jj) "*Restricted Stock*" means Shares granted pursuant to Section 9.

(kk) "*Restricted Stock Unit*" means an Award denominated in Shares granted pursuant to Section 10 in which the Participant has the right to receive a specified number of Shares over a specified period of time.

(ll) "*Retirement*" means the voluntary termination of Employment by an Employee at (i) age 60 or (ii) age 55 or older at a time when age plus years of service equals or exceeds 65.

(mm) "*Share*" means one share of Common Stock, adjusted in accordance with Section 18 (if applicable).

(nn) "*Share Equivalent*" means a bookkeeping entry representing a right to the equivalent of one Share.

(oo) "*Stock Right*" means a right to receive an amount equal to the value of a specified number of Shares which will be payable in Shares or cash as established by the Administrator.

(pp) "*Subsidiary*" means any company in an unbroken chain of companies beginning with the Company if each of the companies other than the last company in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other Companies in such chain.

3. EFFECTIVE DATE.

This Plan was adopted by the Board on January 10, 2006, to be effective on the date the Plan is approved by the Company's shareholders.

4. ADMINISTRATION.

(a) *Administration with respect to Outside Directors*. With respect to Awards to Outside Directors, the Plan shall be administered by the Board or the Governance Committee of the Board. Notwithstanding the foregoing, all Awards made to members of the Governance Committee of the Board shall be approved by the Board.

(b) *Administration with respect to Employees*. With respect to Awards to Employees, the Plan shall be administered by the Board or the Committee.

(i) If any member of the Committee does not qualify as an "outside director" for purposes of Code Section 162(m), Awards under the Plan for the Covered Employees shall be administered by a subcommittee consisting of each Committee member who qualifies as an "outside director." If fewer than two Committee members qualify as "outside directors," the Board shall appoint one or more other Board members to such subcommittee who do qualify as "outside directors," so that the subcommittee will at all times consist of two or more members all of whom qualify as "outside directors" for purposes of Code Section 162(m).

(ii) If any member of the Committee does not qualify as a "non-employee director" for purposes of Rule 16b-3 promulgated under the Exchange Act, then Awards under the Plan for the executive officers of the Company and Directors shall be administered by a subcommittee consisting of each Committee member who qualifies as a "non-employee director." If fewer than two Committee members qualify as "non-employee directors," then the Board shall appoint one or more other Board members to such subcommittee who do qualify as "non-employee directors," so that the subcommittee will at all times consist of two or more members all of whom qualify as "non-employee directors" for purposes of Rule 16b-3 promulgated under the Exchange Act.

(c) *Delegation of Authority to an Officer of the Company*. The Board may delegate to an officer or officers of the Company the authority to administer the Plan with respect to Awards made to Employees who are not subject to Section 16 of the Exchange Act.

(d) *Powers of the Administrator*. The Administrator shall from time to time at its discretion make determinations with respect to Employees and Directors who shall be granted Awards, the number of Shares or Share Equivalents to be subject to each Award, the vesting of Awards, the designation of Options as Incentive Stock Options or Nonqualified Stock Options and other conditions of Awards to Employees and Directors.

The interpretation and construction by the Administrator of any provisions of the Plan or of any Award shall be final. No member of a Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award.

(e) *Claims Administration*. Notwithstanding the foregoing, within 30 days after a Change in Control, the Committee shall appoint an independent committee consisting of at least three current (as of the effective date of such event) or former officers and Directors of the Company, which shall thereafter administer all claims for benefits under the Plan. Upon such appointment the Administrator shall cease to have any responsibility for claims administration under the Plan but shall continue to administer the Plan.

5. ELIGIBILITY.

Subject to the terms and conditions set forth below, Awards may be granted to Employees and Directors. Notwithstanding the foregoing, only employees of the Company and its Subsidiaries may be granted Incentive Stock Options.

(a) *Ten Percent Shareholders*. An Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries is not eligible to receive an Incentive Stock Option pursuant to this Plan. For purposes of this Section 5(a) the stock ownership of an Employee shall be determined pursuant to Code Section 424(d).

(b) *Number of Awards*. A Participant may receive more than one Award, including Awards of the same type, but only on the terms and subject to the restrictions set forth in the Plan. Subject to adjustment as provided in Section 18, the maximum aggregate number of Shares or Share Equivalents that may be subject to Awards to a Participant in any calendar year is 1,000,000 Shares. Notwithstanding the foregoing, for any one Share granted pursuant to a Full Value Award, 2.12 fewer Shares may be made subject to Awards to that Participant in that calendar year.

6. <u>STOCK</u>.

The stock subject to Awards granted under the Plan shall be Shares of the Company's authorized but unissued or reacquired Common Stock. The aggregate number of Shares subject to Awards issued under this Plan shall not exceed 7,879,265 Shares. Notwithstanding the foregoing, for any one Share issued in connection with a Full Value Award, 2.12 fewer Shares will be available for issuance in connection with future Awards. If any outstanding Option under the Plan or any outstanding stock option grant under the Prior Plans for any reason expires or is terminated or any Restricted Stock or Other Share-Based Award is forfeited and under the terms of the expired or terminated Award the Participant received no benefits of ownership during the period the Award was outstanding, then the Shares allocable to the unexercised portion of such Option or the forfeited Restricted Stock or Other Share-Based Award may again be subjected to Awards under the Plan. The following Shares may not again be made available for issuance under the Plan: Shares not issued or delivered as a result of the net exercise of a Stock Appreciation Right or Option and Shares used to pay the withholding taxes related to an Award.

The limitations established by this Section 6 shall be subject to adjustment as provided in Section 18.

7. <u>TERMS AND CONDITIONS OF OPTIONS</u>.

Options granted to Employees and Directors pursuant to the Plan shall be evidenced by written Option Agreements in such form as the Administrator shall determine, subject to the following terms and conditions:

(a) *<u>Number of Shares</u>.* Each Option shall state the number of Shares to which it pertains, which shall be subject to adjustment in accordance with Section 18.

(b) *<u>Exercise Price</u>.* Each Option shall state the Exercise Price, determined by the Administrator, which shall not be less than the Fair Market Value of a Share on the date of grant, except as provided in Section 18.

(c) *<u>Medium and Time of Payment</u>.* The Purchase Price shall be payable in full in United States dollars upon the exercise of the Option; provided that with the consent of the Administrator and in accordance with its rules and regulations, the Purchase Price may be paid by the surrender of Shares in good form for transfer, owned by the person exercising the Option and having a Fair Market Value on the date of exercise equal to the Purchase Price, or in any combination of cash and Shares, or in such acceptable form of payment as approved by the Administrator, so long as the total of the cash and the Fair Market Value of the Shares surrendered equals the Purchase Price. No Shares shall be issued until full payment has been made.

(d) *<u>Term and Exercise of Options; Nontransferability of Options</u>.* Each Option shall state the date after which it shall cease to be exercisable. No Option shall be exercisable after the expiration of seven years from the date it is granted or such lesser period established by the Administrator. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, (i) a Participant may designate a Beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (ii) a Nonstatutory Stock Option or any right granted thereunder may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act; and (iii) any Participant may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity domiciled in the United States in which more than 50% of the voting or beneficial interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution or similar process upon the rights or interest hereby conferred, the Company at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

(e) *Termination of Employment*. In the event that a Participant who is an Employee ceases to be employed by the Company or any of its Affiliates for any reason, such Participant (or in the case of death, such Participant's designated Beneficiary) shall have the right (subject to the limitation that no option may be exercised after its stated expiration date) to exercise the Option either:

(i) within four months after such termination of employment; or

(ii) in the case of Retirement or death, within one year after the date thereof; or

(iii) in the case of Disability, within one year from the date the Committee or its delegate determines that the Participant is Disabled; or

(iv) on such other terms established by the Committee in the Agreement or otherwise prior to termination to the extent that, at the date of termination of employment, the Option had vested pursuant to the terms of the Option Agreement with respect to which such Option was granted and had not previously been exercised. However, in addition to the rights and obligations established in Section 16 below, if the employment of a Participant is terminated by the Company or an Affiliate by reason of Cause, such Option shall cease to be exercisable at the time of the Participant's termination of employment. The Administrator (or its delegate) shall determine whether a Participant's employment is terminated by reason of Cause. In making such determination the Administrator (or its delegate) shall act fairly and shall give the Participant an opportunity to be heard and present evidence on his or her behalf. If a Participant's employment terminates for reasons other than Cause, but Cause is discovered after the termination and is determined to have occurred by the Administrator (or its delegate), all outstanding Options shall cease to be exercisable upon such determination.

For purposes of this Section, the employment relationship will be treated as continuing while the Participant is on military leave, sick leave (including short-term disability) or other bona fide leave of absence (to be determined in the sole discretion of the Administrator, in accordance with rules and regulations construing Code Sections 422(a)(2) and 409A). Notwithstanding the foregoing, in the case of an Incentive Stock Option, employment shall not be deemed to continue beyond three months after the Participant ceased active employment, unless the Participant's reemployment rights are guaranteed by statute or by contract. In the event that an Incentive Stock Option is exercised after the period following termination of employment that is required for qualification under Code Section 422(b), such option shall be treated as a Nonqualified Stock Option for all Plan purposes.

In the event an Outside Director terminates service as a Director, the former Director (or his or her designated Beneficiary in the event of the Outside Director's death) shall have the right (subject to the limitation that no option may be exercised after its stated expiration date) to exercise the Option (to the extent vested pursuant to the terms of the Option Agreement and not previously exercised) within one year after such termination or on such other terms established by the Board in the Agreement or otherwise prior to termination of service.

(f) *Rights as a Shareholder*. A Participant or a transferee of a Participant shall have no rights as a shareholder with respect to any Shares covered by his or her Option until the date of issuance of a stock certificate for such Shares. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 18.

(g) *Modification, Extension and Renewal of Options*. Subject to the terms and conditions and within the limitations of the Plan, including the limitations of Section 22, the Administrator may modify, extend or renew outstanding Options granted to Employees and Directors under the Plan. Notwithstanding the foregoing, however, no modification of an Option shall, without the consent of the Participant, alter or impair any rights or obligations under any Option previously granted under the Plan or cause any Option to fail to be exempt from the requirements of Code Section 409A.

(h) *Limitation of Incentive Stock Option Awards*. If and to the extent that the aggregate Fair Market Value (determined as of the date the Option is granted) of the Shares with respect to which any Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under this Plan and all other plans maintained by the Company, its parent or its Subsidiaries exceeds $100,000, the excess (taking into account the order in which they were granted) shall be treated as Nonqualified Stock Options.

(i) *No Reload Options*. Options that provide for the automatic grant of another option upon exercise of the original option may not be granted under the Plan.

(j) *Other Provisions*. The Option Agreement shall contain such other provisions that are consistent with the terms of the Plan, including, without limitation, restrictions upon the exercise of the Option, as the Administrator shall deem advisable.

8. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights granted to Participants pursuant to the Plan may be granted alone, in addition to, or in conjunction with, Options.

(a) *Number of Shares*. Each Stock Appreciation Right shall state the number of Shares or Share Equivalents to which it pertains, which shall be subject to adjustment in accordance with Section 18.

(b) *Calculation of Appreciation; Exercise Price*. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be equal to the excess of (i) the aggregate Fair Market Value (on the day before the date of exercise of the Stock Appreciation Right) of a number of Shares equal to the number of Shares or Share Equivalents in which the Participant is vested under such Stock Appreciation Right on such date, over (ii) the Exercise Price determined by the Administrator on the date of grant of the Stock Appreciation Right, which shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(c) *Term and Exercise of Stock Appreciation Rights*. Each Stock Appreciation Right shall state the time or times when it may become exercisable. No Stock Appreciation Right shall be exercisable after the expiration of seven years from the date it is granted or such lesser period established by the Administrator.

(d) *Payment*. The appreciation distribution in respect of a Stock Appreciation Right may be paid in Common Stock or in cash, or any combination of the two, or in any other form of consideration as determined by the Administrator and contained in the Stock Appreciation Right Agreement.

(e) *Limitations on Transferability*. A Stock Appreciation Right shall, during a Participant's lifetime, be exercisable only by the Participant. No Stock Appreciation Right or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Stock Appreciation Rights outstanding on the date of Termination of Employment. Each Stock Appreciation Right Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's employment or service with the Company and its Affiliates. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Stock Appreciation Right Agreements entered into pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

(f) *Termination of Employment*. Each Stock Appreciation Right Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's employment of service with the Company and its Affiliates. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Sock Appreciation

Rights Agreements entered into pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

(g) *Rights as a Shareholder*. A Participant or a transferee of a Participant shall have no rights as a shareholder with respect to any Shares covered by his or her Stock Appreciation Right until the date of issuance of such Shares. Except as provided in Section 18, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such Shares are issued.

(h) *Other Terms and Conditions*. The Stock Appreciation Right Agreement may contain such other terms and conditions, including restrictions or conditions on the vesting of the Stock Appreciation Right or the conditions under which the Stock Appreciation Right may be forfeited, as may be determined by the Administrator that are consistent with the Plan.

9. RESTRICTED STOCK.

(a) *Grants*. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares of Restricted Stock to be awarded, the price (if any) to be paid by the recipient of Restricted Stock, the time or times within which such Awards may be subject to forfeiture, and all other terms and conditions of the Awards. The Administrator may condition the grant of Restricted Stock upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Restricted Stock Award shall be set forth in a Restricted Stock Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. Each Participant receiving a Restricted Stock Award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award. The Administrator shall require that stock certificates evidencing such shares be held by the Company until the restrictions lapse and that, as a condition of any Restricted Stock Award, the Participant shall deliver to the Company a stock power relating to the stock covered by such Award. Notwithstanding any other provision of the Plan to the contrary, except with respect to a maximum of 5% of the shares authorized for issuance under Section 6, any Awards of Restricted Stock which vest on the basis of the Participant’s length of service with the Company or its subsidiaries shall not provide for vesting that is any more rapid than annual pro rata vesting over a three-year period and any Awards of Restricted Stock which provide for vesting upon the attainment of performance goals shall provide for a performance period of at least 12 months.

(b) *Restrictions and Conditions*. The shares of Restricted Stock awarded pursuant to this Section 9 shall be subject to the following restrictions and conditions:

(i) During a period set by the Administrator commencing with the date of such Award (the “Restriction Period”), the Participant shall not be permitted to sell, transfer, pledge, assign or encumber shares of Restricted Stock awarded under the Plan. Within these limits, the Administrator, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance or such other factors or criteria as the Administrator may determine in its sole discretion.

(ii) Except as provided in this paragraph (ii) and paragraph (i) above, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any cash dividends. The Administrator, in its sole discretion, as determined at the time of Award, may provide that the payment of cash dividends shall or may be deferred and, if the Administrator so determines, invested in additional shares of Restricted Stock to the extent available under Section 6, or otherwise invested. Stock dividends issued with respect to Restricted Stock shall be treated as additional shares of Restricted Stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

(iii) The Administrator shall specify the conditions under which shares of Restricted Stock shall vest or be forfeited and such conditions shall be set forth in the Restricted Stock Agreement.

(iv) If and when the Restriction Period applicable to shares of Restricted Stock expires without a prior forfeiture of the Restricted Stock, certificates for an appropriate number of unrestricted shares shall be delivered promptly to the Participant, and the certificates for the shares of Restricted Stock shall be cancelled.

10. RESTRICTED STOCK UNITS.

(a) *Grants*. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Restricted Stock Units to be awarded, the price (if any) to be paid by the recipient of the Restricted Stock Units, the time or times within which such Restricted Stock Units may be subject to forfeiture, and all other terms and conditions of the Restricted Stock Unit Awards. The Administrator may condition the grant of Restricted Stock Unit Awards upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Restricted Stock Unit Award shall be set forth in a Restricted Stock Unit Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. With respect to a Restricted Stock Unit Award, no certificate for shares of stock shall be issued at the time the grant is made (nor shall any book entry be made in the records of the Company) and the Participant shall have no right to or interest in shares of stock of the Company as a result of the grant of Restricted Stock Units.

(b) *Restrictions and Conditions*. The Restricted Stock Units awarded pursuant to this Section 10 shall be subject to the following restrictions and conditions:

(i) At the time of grant of a Restricted Stock Unit Award, the Administrator may impose such restrictions or conditions on the vesting of the Restricted Stock Units, as the Administrator deems appropriate. Within these limits, the Administrator, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance, a Change in Control or such other factors or criteria as the Administrator may determine in its sole discretion. The foregoing notwithstanding, no action pursuant to the preceding sentence may alter the time of payment of the Restricted Stock Unit Award, if such alteration would cause the Award to be subject to penalty under Code Section 409A.

(ii) Dividend equivalents may be credited in respect of Restricted Stock Units, as the Administrator deems appropriate. Such dividend equivalents may be paid in cash or converted into additional Restricted Stock Units by dividing (1) the aggregate amount or value of the dividends paid with respect to that number of Shares equal to the number of Restricted Stock Units then credited by (2) the Fair Market Value per Share on the payment date for such dividend. The additional Restricted Stock Units credited by reason of such dividend equivalents will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award to which they relate.

(iii) The Administrator shall specify the conditions under which Restricted Stock Units shall vest or be forfeited and such conditions shall be set forth in the Restricted Stock Unit Agreement.

(c) *Deferral Election*. Each recipient of a Restricted Stock Unit Award may be eligible, subject to Administrator approval, to elect to defer all or a percentage of any Shares he or she may be entitled to receive upon the lapse of any restrictions or vesting period to which the Award is subject. This election shall be made by giving notice in a manner and within the time prescribed by the Administrator and in compliance with the requirements of Code Section 409A. Each Participant must indicate the percentage (expressed in whole percentages) he or she elects to defer of any Shares he or she may be entitled to receive. If no notice is given, the Participant shall be deemed to have made no deferral election. Each deferral election filed with the Administrator shall become irrevocable on and after the prescribed deadline.

11. PERFORMANCE SHARES.

(a) *Grants.* Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Performance Shares will be made, the number of Performance Shares to be awarded, the price (if any) to be paid by the recipient of the Performance Shares, the time or times within which such Performance Shares may be subject to forfeiture, and all other terms and conditions of the Performance Share Awards. The Administrator may condition the grant of Performance Share Awards upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Performance Share Award shall be set forth in a Performance Share Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. With respect to a Performance Share Award, no certificate for shares of stock shall be issued at the time the grant is made (nor shall any book entry be made in the records of the Company) and the Participant shall have no right to or interest in shares of stock of the Company as a result of the grant of Performance Shares.

(b) *Restrictions and Conditions.* The Performance Shares awarded pursuant to this Section 11 shall be subject to the following restrictions and conditions:

(i) At the time of grant of a Performance Share Award, the Administrator may set performance objectives in its discretion which, depending on the extent to which they are met, will determined the number of Performance Shares that will be paid out to the Participant. The time period during which the performance objectives must be met will be called the "Performance Period." After the applicable Performance Period has ended, the recipient of the Performance Shares will be entitled to receive the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. After the grant of a Performance Share Award, the Administrator, in its sole discretion, may reduce or waive any performance objective for such Performance Share Award; provided, however, that no performance objective may be waved or reduced for a Covered Employee and provided further that no such action may alter the time of payment of the Performance Share Award, if such alteration would cause the award to be subject to penalty under Code Section 409A.

(ii) Dividend equivalents will not be credited in respect of any unearned Performance Share Award during the applicable Performance Period.

12. OTHER SHARE-BASED AWARDS.

(a) *Grants.* Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares ("Other Share-Based Awards"), may be granted either alone or in addition to or in conjunction with other Awards under this Plan. Awards under this Section 12 may include (without limitation) Stock Rights, the grant of Shares conditioned upon some specified event, the payment of cash based upon the performance of the Shares or the grant of securities convertible into Shares.

Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom and the time or times at which Other Share-Based Awards shall be made, the number of Shares or other securities, if any, to be granted pursuant to Other Share-Based Awards, and all other conditions of the Other Share-Based Awards. The Administrator may condition the grant of an Other Share-Based Award upon the attainment of specified performance goals or such other factors as the Administrator shall determine, in its sole discretion. In granting an Other Share-Based Award, the Administrator may determine that the recipient of an Other Share-Based Award shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Shares or other securities covered by the Award, and the Administrator may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. The terms of any Other Share-Based Award shall be set forth in an Other Share-Based Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan.

(b) *Terms and Conditions*. In addition to the terms and conditions specified in the Other Share-Based Award Agreement, Other Share-Based Awards shall be subject to the following:

(i) Any Other Share-Based Award may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued or the Award becomes payable, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) The Other Share-Based Award Agreement shall contain provisions dealing with the disposition of such Award in the event of termination of the Employee's employment or the Director's service prior to the exercise, realization or payment of such Award, and the Administrator in its sole discretion may provide for payment of the Award in the event of the Participant's retirement, Disability or death or a Change of Control, with such provisions to take account of the specific nature and purpose of the Award.

13. OTHER PAYMENTS IN SHARES.

Shares may be issued under this Plan to satisfy the payment of all or part of an award pursuant to the Company's annual bonus plan. In addition, all or part of any Director's fees may be paid in Shares or Share Equivalents issued under this Plan. Any Shares issued pursuant to this Section 13 shall reduce the number of Shares authorized under Section 6 but shall not be considered an Award for purposes of the maximum grant limitation in Section 5(b).

14. PERFORMANCE OBJECTIVES.

(a) *Authority to Establish*. The Administrator shall determine the terms and conditions of Awards at the date of grant or thereafter; provided that performance objectives for each year, if any, shall be established by the Administrator not later than the latest date permissible under Code Section 162(m).

(b) *Criteria*. To the extent that such Awards are paid to Employees the performance objectives to be used, if any, shall be expressed in terms of one or more of the following: total shareholder return; earnings per share; stock price; return on equity; net earnings; income from continuing operations; related return ratios; cash flow; net earnings growth; earnings before interest, taxes, depreciation and amortization (EBITDA); gross or operating margins; productivity ratios; expense targets; operating efficiency; market share; customer satisfaction; working capital targets (including, but not limited to, days sales outstanding); return on assets; increase in revenues; decrease in expenses; increase in funds from operations (FFO); and increase in FFO per share. Awards may be based on performance against objectives for more than one Subsidiary or segment of the Company. For example, awards for an Executive employed by the Company may be based on overall corporate performance against objectives, but awards for an Executive employed by a Subsidiary may be based on a combination of corporate, segment and Subsidiary performance against objectives. Performance objectives, if any, established by the Administrator may be (but need not be) different from year to year, and different performance objectives may be applicable to different Participants. Performance objectives may be determined on an absolute basis or relative to internal goals or relative to levels attained in prior years or related to other companies or indices or as ratios expressing relationships between two or more performance objectives. In addition, performance objectives may be based upon the attainment of specified levels of Company performance under one or more of the measures described above relative to the performance of other corporations.

(c) *Adjustments*. The Committee shall specify the manner of adjustment of any performance objectives to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual or non-recurring items; changes in applicable laws, regulations or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets or other similar corporate transaction. Any adjustment to performance objectives pursuant to this Section 14(c) shall be done in accordance with Code Section 162(m).

15. CHANGE IN CONTROL.

(a) *Discretion to Accelerate*. An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the applicable Award Agreement and determined by the Administrator on a grant-by-grant basis or as may be provided in any other written agreement between the Company and any Affiliate or Subsidiary and the Participant; provided, however, that in the absence of such provision, no such acceleration shall occur and any such acceleration shall be subject to the limits set forth in Section 15(b).

(b) *Limitation on Acceleration*. In connection with any acceleration of vesting or change in exercisability upon or after a Change in Control, if any amount or benefit to be paid or provided under an Award or under any other agreement between a Participant and Company would be an Excess Parachute Payment (including after taking into account the value, to the maximum extent permitted by Code Section 280G, of covenants by or restrictions on Participant following the Change in Control), then the payments and benefits to be paid or provided will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will not be made if such reduction would result in a Participant receiving an After-Tax Amount less than 90% of the After-Tax Amount of the payments Participant would have received under such Awards or any other agreement without regard to this limitation. Whether requested by a Participant or the Company, the determination of whether any reduction in such payments or benefits is required pursuant to the preceding sentence, and the value to be assigned to any covenants by or restrictions on Participant, for purposes of determining the amount, if any, of the Excess Parachute Payment will be made at the expense of the Company by the Company's independent accountants or benefits consultant. The fact that a Participant's right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights of a Participant under any other agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this paragraph, a Participant will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this paragraph; provided, however, that payments that do not constitute deferred compensation within the meaning of Section 409A will be reduced first. The Company will provide Participant with all information reasonably requested by Participant to permit Participant to make such designation. In the event that Participant fails to make such designation within 10 business days after receiving notice from the Company of a reduction under this paragraph, the Company may effect such reduction in any manner it deems appropriate.

16. FORFEITURE FOR CAUSE.

Notwithstanding any other provision of this Plan to the contrary, if the Participant engages in conduct which constitutes Cause prior to, or during the twelve month period following, the exercise of the Option or the vesting of the Award, the Administrator (or its delegate) may:

(a) rescind the exercise of any Option exercised during the period beginning twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates and cancel all outstanding Awards within 24 months after the Participant's termination of employment or service with the Company or its Affiliates; and

(b) demand that the Participant pay over to the Company the proceeds (less the Participant's purchase price, if any) received by the Participant upon (i) the sale, transfer or other transaction involving the Shares acquired upon the exercise of any Option exercised during the period beginning twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates or (ii) the vesting of any Award within twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates, in such manner and on such terms and conditions as may be required, and, without limiting any other remedy the Company or its Affiliates may have, the Company shall be entitled to set-off against the amount of any such proceeds any amount owed the Participant by the Company or its Affiliates to the fullest extent permitted by law.

17. **<u>TERM OF PLAN</u>.**

Awards may be granted pursuant to the Plan until the termination of the Plan on January 10, 2016.

18. **<u>RECAPITALIZATION</u>.**

Subject to any required action by the shareholders, the number of Shares covered by this Plan as provided in Section 6, the maximum grant limitation in Section 5(b), the number of Shares or Share Equivalents covered by or referenced in each outstanding Award, and the Exercise Price of each outstanding Option or Stock Appreciation Right and any price required to be paid for Restricted Stock or Other Share-Based Award shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares, the payment of a stock dividend (but only of Common Stock) or any other increase or decrease in the number of such Shares effected without receipt of consideration by the Company or the declaration of a dividend payable in cash that has a material effect on the price of issued Shares.

Subject to any required action by the shareholders, if the Company shall be a party to any merger, consolidation or other reorganization, each outstanding Award shall pertain and apply to the securities to which a holder of the number of Shares or Share Equivalents subject to the Award would have been entitled. In the event of a change in the Common Stock as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive, provided that each Incentive Stock Option granted pursuant to this Plan shall not be adjusted in a manner that causes the Option to fail to continue to qualify as an incentive stock option within the meaning of Code Section 422 or subject the Option to the requirements of Code Section 409A.

Except as expressly provided in this Section 18, a Participant shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another Company, and any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class shall not affect the number or price of Shares subject to the Option.

The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business assets.

19. **<u>SECURITIES LAW REQUIREMENTS AND LIMITATION OF RIGHTS.</u>**

(a) *<u>Securities Law</u>*. No Shares shall be issued pursuant to the Plan unless and until the Company has determined that: (i) it and the Participant have taken all actions required to register the Shares under the Securities Act of 1933 or perfect an exemption from registration; (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed has been satisfied; and (iii) any other applicable provision of state or federal law has been satisfied.

(b) *<u>Employment Rights</u>*. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain employed by the Company or an Affiliate or to remain a Director. The Company and its Affiliates reserve the right to terminate the employment of any employee at any time, with or without cause or for no cause, subject only to a written employment contract (if any), and the Board reserves the right to terminate a Director’s membership on the Board for cause in accordance with the Company’s Restated Certificate of Incorporation.

(c) *Shareholders' Rights*. Except as provided by the Administrator in accordance with Section 12, a Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Shares covered by his or her Award prior to the issuance of a stock certificate for such Shares. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such certificate is issued.

(d) *Creditors' Rights*. A holder of an Other Share-Based Award shall have no rights other than those of a general creditor of the Company. An Other Share-Based Award shall represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Other Share-Based Award Agreement. An Other Share-Based Award shall not be deemed to create a trust for the benefit of any individual.

20. BENEFICIARY DESIGNATION.

Participants and their Beneficiaries may designate on the prescribed form one or more Beneficiaries to whom distribution shall be made of any Award outstanding at the time of the Participant's or Beneficiary's death. A Participant or Beneficiary may change such designation at any time by filing the prescribed form with the Administrator. If a Beneficiary has not been designated or if no designated Beneficiary survives the Participant or Beneficiary, distribution will be made to the residuary beneficiary under the terms of the Participant's or Beneficiary's last will and testament or, in the absence of a last will and testament, to the Participant's or Beneficiary's estate as Beneficiary.

21. AMENDMENT OF THE PLAN.

The Board may suspend or discontinue the Plan or revise or amend it with respect to any Shares at the time not subject to Awards except that, without approval of the shareholders of the Company, no such revision or amendment shall:

(a) Increase the number of Shares subject to the Plan;

(b) Change the designation in Section 5 of the class of Employees eligible to receive Awards;

(c) Decrease the price at which Incentive Stock Options may be granted;

(d) Remove the administration of the Plan from the Administrator; or

(e) Amend this Section 21 to defeat its purpose.

22. NO AUTHORITY TO REPRICE.

Without the consent of the shareholders of the Company, except as provided in Section 18, the Administrator shall have no authority to effect either (i) the repricing of any outstanding Options or Stock Appreciation Rights under the Plan or (ii) the cancellation of any outstanding Options or Stock Appreciation Rights under the Plan and the grant in substitution therefor of new Options or Stock Appreciation Rights under the Plan covering the same or different numbers of shares of Common Stock.

23. NO OBLIGATION TO EXERCISE OPTION.

The granting of an Option shall impose no obligation upon the Participant to exercise such Option.

24. APPROVAL OF SHAREHOLDERS.

This Plan and any amendments requiring shareholder approval pursuant to Section 21 shall be subject to approval by affirmative vote of the shareholders of the Company. Such vote shall be taken at the first annual meeting of shareholders following the adoption of the Plan or of any such amendments, or any adjournment of such meeting.

25. WITHHOLDING TAXES.

(a) *General*. To the extent required by applicable law, the person exercising any Option granted under the Plan or the recipient of any payment or distribution under the Plan shall make arrangements satisfactory to the Company for the satisfaction of any applicable withholding tax obligations. The Company shall not be required to make such payment or distribution until such obligations are satisfied.

(b) *Other Awards*. The Administrator may permit a Participant who exercises Nonqualified Stock Options or who vests in Restricted Stock Awards to satisfy all or part of his or her withholding tax obligations by having the Company withhold a portion of the Shares that otherwise would be issued to him or her under such Nonqualified Stock Options or Restricted Stock Awards. Such Shares shall be valued at the Fair Market Value on the day preceding the day when taxes otherwise would be withheld in cash. The payment of withholding taxes by surrendering Shares to the Company, if permitted by the Administrator, shall be subject to such restrictions as the Administrator may impose, including any restrictions required by rules of the Securities and Exchange Commission.

26. SUCCESSORS AND ASSIGNS.

The Plan shall be binding upon the Company, its successors and assigns, and any parent Company of the Company's successors or assigns. Notwithstanding that the Plan may be binding upon a successor or assign by operation of law, the Company shall require any successor or assign to expressly assume and agree to be bound by the Plan in the same manner and to the same extent that the Company would be if no succession or assignment had taken place.

27. EXECUTION.

To record the adoption of the Plan as amended on January 13, 2009, the Company has caused its authorized officer to execute the same.

ABM INDUSTRIES INCORPORATED

By: /s/ Erin Andre

Title: Senior Vice President,
Human Resources

INDEMNIFICATION AGREEMENT

AGREEMENT, dated as of ___, 2009, by and between ABM Industries Incorporated, a Delaware corporation (the "Company"), and [___] (the "Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors and officers the most capable persons available;

WHEREAS, the Indemnitee is a director and/or officer of the Company;

WHEREAS, the Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of companies in today's environment;

WHEREAS, basic protection against undue risk of personal liability of directors and officers heretofore has been provided through insurance coverage providing reasonable protection at reasonable cost, and the Indemnitee has relied on the availability of such coverage; but as a result of substantial changes in the marketplace for such insurance it has become increasingly difficult to obtain such insurance on terms providing reasonable protection at reasonable cost;

WHEREAS, the Company's By-Laws, as amended (the "By-Laws"), require the Company to indemnify and advance expenses to its directors and officers to the extent provided therein, and the Indemnitee serves as a director and/or officer of the Company, in part, in reliance on such provisions in the By-Laws;

WHEREAS, the current difficulty in obtaining adequate director and officer liability insurance coverage at a reasonable cost, and uncertainties as to the availability of indemnification created by recent court decisions, have increased the risk that the Company will be unable to retain and attract as directors and officers the most capable persons available;

WHEREAS, the Company has determined that its inability to retain and attract as directors and officers the most capable persons would be detrimental to the interests of the Company, and that Company therefore should seek to assure such persons that indemnification and insurance coverage will be available in the future; and

WHEREAS, in recognition of the Indemnitee's need for substantial protection against personal liability in order to enhance the Indemnitee's continued service to the Company in an effective manner, the increasing difficulty in obtaining satisfactory director and officer liability insurance coverage, and the Indemnitee's reliance on the By-Laws, and in part to provide the Indemnitee with specific contractual assurance that the protection promised by the By-Laws will be available to the Indemnitee (regardless of, among other things, any amendment to or revocation of the applicable provisions of the By-Laws or any change in the composition of the Company's Board of Directors or acquisition transaction relating to the Company), the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to the Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of the Indemnitee under the directors' and officers' liability insurance policy of the Company.

NOW, THEREFORE, in consideration of the premises and of the Indemnitee continuing to serve the Company directly or, at its request, as an officer, director, manager, member, partner, tax matters partner, fiduciary or trustee of, or in any other capacity with, another Person (as defined below) or any employee benefit plan, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions. In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement:

(a) Agreement: shall mean this Indemnification Agreement, as amended from time to time hereafter.

(b) Board of Directors: shall mean the Board of Directors of the Company.

(c) Claim: means any threatened, asserted, pending or completed civil, criminal, administrative, investigative or other action, suit or proceeding of any kind whatsoever, or any appeal of any kind thereof, or any inquiry or investigation, whether instituted by the Company, any governmental agency or any other party, that the Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including any arbitration or other alternative dispute resolution mechanism.

(d) Indemnifiable Expenses: means (i) all expenses and liabilities, including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Company, and counsel fees and disbursements (including, without limitation, experts' fees, court costs, retainers, transcript fees, duplicating, printing and binding costs, as well as telecommunications, postage and courier charges) paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in, (including on appeal), any Claim relating to any Indemnifiable Event, and (ii) any liabilities which an Indemnitee incurs as a result of acting on behalf of the Company (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the United States Internal Revenue Service, penalties assessed by the Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise).

(e) Indemnifiable Event: means any act or omission, whether occurring before, on or after the date of this Agreement, arising from the performance of the Indemnitee's duties or obligations to the Company or any of its subsidiaries, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which the Indemnitee may hereafter be made a party by reason of being or having been an officer, director, manager, member, partner, tax matters partner, fiduciary or trustee of, or having served in any other capacity with, another Person or any employee benefit plan at the request of the Company.

(f) Person: means any individual, corporation, firm, partnership, joint venture, limited liability company, estate, trust, business association, organization, governmental entity or other entity.

2. Basic Indemnification Arrangement; Advancement of Expenses.

(a) In the event that the Indemnitee was, is or becomes subject to, a party to or witness or other participant in, or is threatened to be made subject to, a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify the Indemnitee, or cause such Indemnitee to be indemnified, to the fullest extent permitted by Delaware law in effect on the date hereof and as amended from time to time; provided, however, that no change in Delaware law shall have the effect of reducing the benefits available to the Indemnitee hereunder based on Delaware law as in effect on the date hereof or as such benefits may improve as a result of amendments after the date hereof. The rights of the Indemnitee provided in this Section 2 shall include, without limitation, the rights set forth in the other sections of this Agreement. Payments of Indemnifiable Expenses shall be made as soon as practicable but in any event no later than thirty (30) days after written demand is presented to the Company.

(b) If so requested by the Indemnitee, the Company shall advance, or cause to be advanced (within two business days of such request), any and all Indemnifiable Expenses incurred by the Indemnitee (an "Expense Advance"). The Company shall, in accordance with such request (but without duplication), either (i) pay, or cause to be paid, such Indemnifiable Expenses on behalf of the Indemnitee, or (ii) reimburse, or cause the reimbursement of, the Indemnitee for such Indemnifiable Expenses. The Indemnitee's right to an Expense Advance is absolute and shall not be subject to any condition that the Board of Directors shall not have determined that the Indemnitee is not entitled to be indemnified under applicable law. However, the obligation of the Company to make an Expense Advance pursuant to this Section 2(b) shall be subject to the condition that, if, when and to the extent that a final judicial determination is made (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be so indemnified under applicable law, the Company shall be entitled to be reimbursed by the Indemnitee (who hereby agrees to reimburse the Company) for all such amounts theretofore paid (it being understood and agreed that the foregoing agreement by the Indemnitee shall be deemed to satisfy any requirement that the Indemnitee provide the Company with an undertaking to repay any Expense Advance if it is ultimately determined that the Indemnitee is not entitled to indemnification under applicable law). The Indemnitee's undertaking to repay such Expense Advances shall be unsecured and interest-free.

(c) Notwithstanding anything in this Agreement to the contrary, the Indemnitee shall not be entitled to indemnification or advancement of Indemnifiable Expenses pursuant to this Agreement in connection with any Claim initiated by the Indemnitee unless (i) the Company has joined in or the Board of Directors of the Company has authorized or consented to the initiation of such Claim or (ii) the Claim is one to enforce the Indemnitee's rights under this Agreement (including an action pursued by the Indemnitee to secure a determination that the Indemnitee should be indemnified under applicable law).

(d) The indemnification obligations of the Company under Section 2(a) shall be subject to the condition that the Board of Directors shall not have determined (by majority vote of directors who are not parties to the applicable Claim) that the indemnification of the Indemnitee is not proper in the circumstances because the Indemnitee is not entitled to be indemnified under applicable law. If the Board of Directors determines that the Indemnitee is not entitled to be indemnified in whole or in part under applicable law, the Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper, seeking an initial determination by the court or challenging any such determination by the Board of Directors or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. If the Indemnitee commences legal proceedings in a court of competent jurisdiction to secure a determination that the Indemnitee should be indemnified under applicable law, any determination made by the Board of Directors that the Indemnitee is not entitled to be indemnified under applicable law shall not be binding, the Indemnitee shall continue to be entitled to receive Expense Advances, and the Indemnitee shall not be required to reimburse the Company for any Expense Advance, unless and until a final judicial determination is made (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be so indemnified under applicable law. Any determination by the Board of Directors otherwise shall be conclusive and binding on the Company and the Indemnitee.

(e) To the extent that the Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, the Indemnitee shall be indemnified against all Indemnifiable Expenses actually and reasonably incurred in connection therewith, notwithstanding an earlier determination by the Board of Directors that the Indemnitee is not entitled to indemnification under applicable law.

3. Indemnification for Additional Expenses. The Company shall indemnify, or cause the indemnification of, the Indemnitee against any and all Indemnifiable Expenses and, if requested by the Indemnitee, shall advance such Indemnifiable Expenses to the Indemnitee subject to and in accordance with Sections 2(b) and (d), which are incurred by the Indemnitee in connection with any action brought by the Indemnitee for (i) indemnification or an Expense Advance by the Company under this Agreement and/or (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee ultimately is determined to be entitled to such indemnification, Expense Advance or insurance recovery, as the case may be.

4. Partial Indemnity. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Indemnifiable Expenses in respect of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

5. Burden of Proof. In connection with any determination by the Board of Directors, any court or otherwise as to whether the Indemnitee is entitled to be indemnified hereunder, the Board of Directors or court shall presume that the Indemnitee has satisfied the applicable standard of conduct and is entitled to indemnification, and the burden of proof shall be on the Company or its representative to establish, by clear and convincing evidence, that the Indemnitee is not so entitled.

6. Reliance as Safe Harbor. The Indemnitee shall be entitled to indemnification for any action or omission to act undertaken (i) in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to the Indemnitee by the officers or employees of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board of Directors, or by any other Person as to matters the Indemnitee reasonably believes are within such other Person's professional or expert competence, or (ii) on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon, and in accordance with, the advice of legal counsel or accountants, provided such legal counsel or accountants were selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any director, officer, agent or employee of the Company shall not be imputed to the Indemnitee for purposes of determining the right to indemnity hereunder.

7. No Other Presumptions. For purposes of this Agreement, the termination of any claim, action, suit or proceeding, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Board of Directors to have made a determination as to whether the Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Board of Directors that the Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by the Indemnitee to secure a judicial determination that the Indemnitee should be indemnified under applicable law shall be a defense to the Indemnitee's claim or create a presumption that the Indemnitee has not met any particular standard of conduct or did not have any particular belief.

8. Nonexclusivity, Etc. The rights of the Indemnitee hereunder shall be in addition to any other rights the Indemnitee may have under the By-Laws, the laws of the State of Delaware, or otherwise. To the extent that a change in Delaware law or the interpretation thereof (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the By-Laws, it is the intent of the parties hereto that the Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

9. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, the Indemnitee shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for the Company directors or officers.

10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against the Indemnitee, the Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

11. Cooperation. During the Indemnitee's service on the Board of Directors and thereafter, the Indemnitee shall cooperate with the Company and any Company-affiliated entity in its or their investigation, defense or prosecution of any potential, current or future legal matter (including any Claim) in any forum, including, but not limited to, lawsuits, administrative charges, audits, arbitrations, and internal and external investigations. The Indemnitee's cooperation shall include, but shall not be limited to, reviewing and preparing documents and reports, meeting with attorneys representing the Company or any Company-affiliated entity, providing truthful testimony, and communicating the Indmenitee's knowledge of relevant facts to any attorneys, experts, consultants, investigators, employees or other representatives working on behalf of the Company or any Company-affiliated entity. Except as required by law, the Indemnitee agrees to treat all information regarding any such actual or potential investigation or claim as confidential. The Indemnitee also agrees not to discuss or assist in any litigation, potential litigation, claim, or potential claim with any individual (or their attorney or investigator) who is pursuing, or considering pursuing, any claims against the Company or any Company-affiliated entity unless required by law. In performing the tasks outlined in this Section 11, the Indemnitee shall be bound by the covenants of good faith and veracity set forth in the Company's Code of Business Conduct and Ethics, as amended from time to time, and by all legal obligations. Nothing in this Section 11 is intended to prevent the Indemnitee from complying in good faith with any subpoena or other affirmative legal obligation. The Indemnitee agrees to notify the Company as promptly as practicable in the event that there is a request for information or inquiry pertaining to the Company, any Company-affiliated entity, or the Indemnitee's knowledge of or service with the Company. In performing its responsibilities under this Section 11 at the request or for the benefit of the Company, the Indemnitee shall be compensated for the Indemnitee's time at an hourly rate of $400 per hour; provided, however, that during any period in which the Indemnitee is a director and/or officer of the Company or is receiving payments from the Company of any kind, the Indemnitee shall not be so compensated.

12. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver. In the event the Company or any of its subsidiaries enters into an indemnification agreement with another director, officer, agent, fiduciary or manager of the Company or any of its subsidiaries containing a term or terms more favorable to the indemnitee than the terms

contained herein (as determined by the Indemnitee), the Indemnitee shall be afforded the benefit of such more favorable term or terms and such more favorable term or terms shall be deemed incorporated by reference herein as if set forth in full herein.

13. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers reasonably required and shall do everything that may be reasonably necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

14. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against the Indemnitee to the extent the Indemnitee has otherwise actually received payment (under any insurance policy, any provision of the By-Laws, or otherwise) of the amounts otherwise indemnifiable hereunder.

15. Defense of Claims. The Company shall be entitled to participate in the defense of any Claim relating to an Indemnifiable Event or to assume the defense thereof, with counsel reasonably satisfactory to the Indemnitee; provided that if the Indemnitee believes, after consultation with counsel selected by the Indemnitee, that (i) the use of counsel chosen by the Company to represent the Indemnitee would present such counsel with an actual or potential conflict of interest, (ii) the named parties in any such Claim (including any impleaded parties) include the Company or any subsidiary of the Company and the Indemnitee, and the Indemnitee concludes that there may be one or more legal defenses available to him or her that are different from or in addition to those available to the Company or any subsidiary of the Company, or (iii) any such representation by such counsel would be precluded under the applicable standards of professional conduct then prevailing, then the Indemnitee shall be entitled to retain separate counsel (but not more than one law firm plus, if applicable, local counsel in respect of any particular Claim) at the Company's expense. The Company shall not be liable to the Indemnitee under this Agreement for any amounts paid in settlement of any Claim relating to an Indemnifiable Event effected without the Company's prior written consent. The Company shall not, without the prior written consent of the Indemnitee, effect any settlement of any Claim relating to an Indemnifiable Event which the Indemnitee is or could have been a party unless such settlement solely involves the payment of money and includes a complete and unconditional release of the Indemnitee from all liability on all claims that are the subject matter of such Claim. Neither the Company nor the Indemnitee shall unreasonably withhold its or his or her consent to any proposed settlement; provided that the Indemnitee may withhold consent to any settlement that does not provide a complete and unconditional release of the Indemnitee.

16. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all or a significant portion of the business and/or assets of the Company and/or its subsidiaries, by written agreement in form and substance satisfactory to the Indemnitee and his or her counsel, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be

required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether the Indemnitee continues to serve as an officer and/or director of the Company of any other entity or enterprise at the request of the Company. Neither this Agreement nor any duties or responsibilities pursuant hereto may be assigned by the Company to any other person or entity without the prior written consent of the Indemnitee.

17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable and to give effect to the terms of this Agreement.

18. Specific Performance, Etc. The parties recognize that if any provision of this Agreement is violated by the Company, the Indemnitee may be without an adequate remedy at law. Accordingly, in the event of any such violation, the Indemnitee shall be entitled, if the Indemnitee so elects, to institute proceedings, either in law or at equity, to obtain damages, to enforce specific performance, to enjoin such violation, or to obtain any relief or any combination of the foregoing as the Indemnitee may elect to pursue.

19. Notices. All notices, requests, consents and other communications hereunder to any party shall be deemed to be sufficient if contained in a written document delivered in person or sent by telecopy, nationally recognized overnight courier or personal delivery, addressed to such party at the address set forth below or such other address as may hereafter be designated on the signature pages of this Agreement or in writing by such party to the other parties:

(a) If to the Company, to:

ABM Industries Incorporated
551 Fifth Avenue, Suite 300
New York, NY 10176
Attn: General Counsel

(b) If to the Indemnitee, to the address set forth on Annex A hereto.

20. Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

21. Headings. The headings of the sections and paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction or interpretation thereof.

22. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ABM INDUSTRIES INCORPORATED

By: ______________________________
Name:
Title:

____
[NAME]

Annex A

Name and Business Address. ______________________

____

____

____

____

Attn: ______________________

Tel: ______________________

Fax: ______________________

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Henrik C. Slipsager, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;

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

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

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

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

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

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

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

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

March 6, 2009

/s/ Henrik C. Slipsager
Henrik C. Slipsager
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, James S. Lusk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;
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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 6, 2009

/s/ James S. Lusk
James S. Lusk
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

CERTIFICATIONS PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(b) OR 15d-14(b) AND
18 U.S.C. SECTON 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABM Industries Incorporated (the “Company”) for the quarter ended January 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Henrik C. Slipsager, Chief Executive Officer of the Company, and James S. Lusk, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

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

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

March 6, 2009

/s/ Henrik C. Slipsager
Henrik C. Slipsager
Chief Executive Officer
(Principal Executive Officer)

March 6, 2009

/s/ James S. Lusk
James S. Lusk
Chief Financial Officer
(Principal Financial Officer)