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

FORM 10-Q

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

For the quarterly period ended July 31, 2012

OR

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

For the transition period from to

Commission file number: 1-8929

ABM INDUSTRIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**94-1369354** **(I.R.S. Employer Identification No.)**
551 Fifth Avenue, Suite 300, New York, New York **(Address of principal executive offices)**	**10176** **(Zip Code)**

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 30, 2012
Common Stock, $0.01 par value per share	54,228,654 shares

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)	July 31, 2012 (Unaudited)	October 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 21,650	$ 26,467
Trade accounts receivable, net of allowances of $11,197 and $13,485 at July 31, 2012 and October 31, 2011, respectively	577,898	552,098
Notes receivable and other	56,872	52,756
Prepaid expenses	50,726	41,823
Prepaid income taxes	4,232	7,205
Deferred income taxes, net	38,096	40,565
Insurance recoverables	10,173	10,851
Current assets of discontinued operations	467	1,992
Total current assets	760,114	733,757
Insurance deposits	31,720	35,974
Other investments and long-term receivables	5,013	5,798
Investments in unconsolidated affiliates, net	14,987	14,423
Investments in auction rate securities	16,704	15,670
Property, plant and equipment, net of accumulated depreciation of $117,984 and $97,819 at July 31, 2012 and October 31, 2011, respectively	62,753	60,009
Other intangible assets, net of accumulated amortization of $94,755 and $78,669 at July 31, 2012 and October 31, 2011, respectively	114,662	128,994
Goodwill	750,944	750,872
Noncurrent deferred income taxes, net	33,254	30,948
Noncurrent insurance recoverables	55,176	59,759
Other assets	41,568	43,394
Total assets	$1,886,895	$1,879,598

See accompanying notes to unaudited consolidated financial statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

(in thousands, except share and per share amounts)	July 31, 2012 (Unaudited)	October 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 124,371	$ 130,464
Accrued liabilities		
Compensation	111,201	112,233
Taxes—other than income	20,288	19,144
Insurance claims	82,889	78,828
Other	116,205	102,220
Income taxes payable	5,029	307
Total current liabilities	459,983	443,196
Noncurrent income taxes payable	43,996	38,236
Line of credit	252,000	300,000
Retirement plans and other	36,466	39,707
Noncurrent insurance claims	268,958	262,573
Total liabilities	1,061,403	1,083,712
Commitments and contingencies		
Stockholders' equity		
Common stock, $0.01 par value; 100,000,000 shares authorized; 54,200,540 and 53,333,071 shares issued at July 31, 2012 and October 31, 2011, respectively	542	533
Additional paid-in capital	229,134	211,389
Accumulated other comprehensive loss, net of taxes	(1,906)	(2,661)
Retained earnings	597,722	586,625
Total stockholders' equity	825,492	795,886
Total liabilities and stockholders' equity	$1,886,895	$1,879,598

See accompanying notes to unaudited consolidated financial statements

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Revenues	$1,079,235	$1,076,247	$3,210,264	$3,165,499
Expenses				
Operating	971,628	952,844	2,885,964	2,821,672
Selling, general and administrative	79,100	76,356	248,284	242,406
Amortization of intangible assets	5,334	6,314	16,184	17,273
Total expenses	1,056,062	1,035,514	3,150,432	3,081,351
Operating profit	23,173	40,733	59,832	84,148
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	—	—	(313)	—
Income from unconsolidated affiliates, net	747	1,166	5,380	2,785
Interest expense	(2,407)	(4,114)	(7,682)	(12,477)
Income from continuing operations before income taxes	21,513	37,785	57,217	74,456
Provision for income taxes	(8,887)	(9,874)	(22,204)	(23,940)
Income from continuing operations	12,626	27,911	35,013	50,516
Loss from discontinued operations, net of taxes	(49)	(36)	(94)	(60)
Net income	$ 12,577	$ 27,875	$ 34,919	$ 50,456
Net income per common share—Basic				
Income from continuing operations	$ 0.23	$ 0.52	$ 0.65	$ 0.95
Loss from discontinued operations, net of taxes	—	—	—	—
Net income	$ 0.23	$ 0.52	$ 0.65	$ 0.95
Net income per common share—Diluted				
Income from continuing operations	$ 0.23	$ 0.51	$ 0.64	$ 0.93
Loss from discontinued operations, net of taxes	—	—	—	—
Net income	$ 0.23	$ 0.51	$ 0.64	$ 0.93
Weighted-average common and common equivalent shares outstanding				
Basic	54,145	53,207	53,863	53,051
Diluted	55,000	54,201	54,819	54,084
Dividends declared per common share	$ 0.145	$ 0.140	$ 0.435	$ 0.420

See accompanying notes to unaudited consolidated financial statements

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Cash flows from operating activities:		
Net income	$ 34,919	$ 50,456
Loss from discontinued operations, net of taxes	94	60
Income from continuing operations	35,013	50,516
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:		
Depreciation and amortization	38,559	39,010
Deferred income taxes	(421)	13,960
Share-based compensation expense	7,303	6,689
Provision for bad debt	1,661	2,842
Discount accretion on insurance claims	536	655
Auction rate security credit loss impairment	313	—
Gain on sale of assets	(1,298)	(110)
Income from unconsolidated affiliates, net	(5,380)	(2,785)
Distributions from unconsolidated affiliates	4,583	985
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(27,042)	(30,809)
Prepaid expenses and other current assets	(12,761)	(15,265)
Insurance recoverables	5,261	5,301
Other assets and long-term receivables	7,790	9,172
Income taxes payable	13,455	1,398
Retirement plans and other non-current liabilities	(2,119)	(2,085)
Insurance claims	9,910	(12,032)
Trade accounts payable and other accrued liabilities	6,794	15,110
Total adjustments	47,144	32,036
Net cash provided by continuing operating activities	82,157	82,552
Net cash provided by discontinued operating activities	1,623	2,285
Net cash provided by operating activities	83,780	84,837
Cash flows from investing activities:		
Additions to property, plant and equipment	(23,765)	(16,547)
Proceeds from sale of assets and other	2,185	415
Purchase of businesses, net of cash acquired	(5,640)	(290,478)
Investments in unconsolidated affiliates	—	(955)
Proceeds from redemption of auction rate securities	—	5,000
Net cash used in investing activities	(27,220)	(302,565)
Cash flows from financing activities:		
Proceeds from exercises of stock options (including income tax benefit)	10,055	9,519
Dividends paid	(23,425)	(22,278)
Deferred financing costs paid	(14)	(4,991)
Borrowings from line of credit	604,000	740,500
Repayment of borrowings from line of credit	(652,000)	(516,000)
Changes in book cash overdrafts	7	11,146
Net cash (used in) provided by financing activities	(61,377)	217,896
Net (decrease) increase in cash and cash equivalents	(4,817)	168
Cash and cash equivalents at beginning of period	26,467	39,446
Cash and cash equivalents at end of period	$ 21,650	$ 39,614

See accompanying notes to unaudited consolidated financial statements

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Continued)

(in thousands)	Nine Months Ended July 31,	
	2012	**2011**
Supplemental Data:		
Cash paid for income taxes, net of refunds received	$ 8,928	$7,838
Tax effect from exercise of options	—	1,366
Cash received from exercise of options	10,051	8,153
Interest paid on line of credit	4,139	7,821

See accompanying notes to unaudited consolidated financial statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Business

ABM Industries Incorporated ("ABM"), through its subsidiaries (collectively, the "Company"), is a leading provider of end-to-end integrated facilities management services to commercial, governmental, industrial, institutional, residential, and retail facilities primarily throughout the United States. The Company's comprehensive capabilities include expansive facility services, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking and security, provided through stand-alone or integrated solutions. The Company was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909.

2. Unaudited Interim Financial Information

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and Article 10 of Regulation S-X under the Securities and Exchange Act of 1934, as amended, and should be read in conjunction with the Company's audited consolidated financial statements (and notes thereto) filed with the U.S. Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011. Unless otherwise noted, all references to years are to the Company's fiscal year, which ends on October 31. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the accompanying unaudited consolidated financial statements and all normal and recurring adjustments necessary to fairly state the information for each period contained therein have been included.

The accounting policies applied in the accompanying unaudited consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as at and for the year ended October 31, 2011, contained in the Company's 2011 Annual Report on Form 10-K, unless indicated otherwise.

Operating results for interim periods are not necessarily indicative of results that may be expected to occur for the entire fiscal year or any future periods.

In preparing the accompanying unaudited consolidated financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date of filing with the SEC, which is the date the accompanying unaudited consolidated financial statements were issued.

The Company's Parking segment reports both revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Parking revenues related solely to the reimbursement of expenses totaled $75.6 million and $73.8 million for the three months ended July 31, 2012 and 2011, respectively, and $229.7 million and $225.3 million for the nine months ended July 31, 2012 and 2011, respectively.

Principles of Consolidation

The consolidated financial statements reflect the accounts of ABM and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the Company's consolidated financial statements and the accompanying notes, including those related to self-insurance reserves, allowances for doubtful accounts, sales allowances, deferred income tax assets and valuation allowances, estimates of useful lives of intangible assets, impairment tests of goodwill and other intangibles, fair value of auction rate securities, cash flow forecasts, share-based compensation expense, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, known or expected trends, independent valuations, and various other assumptions that are believed to be reasonable under the circumstances based on information available as of the date of the issuance of these unaudited consolidated financial statements. 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 consolidated financial statements in future periods.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2011-11 ("ASU 2011-11"), *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the balance sheet, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company expects to adopt ASU 2011-11 on November 1, 2013. The adoption of ASU 2011-11 will not have a material impact on the Company's disclosures.

In December 2011, the FASB issued Accounting Standards Update 2011-12 ("ASU 2011-12"), *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company expects to adopt ASUs 2011-12 and 2011-05 on November 1, 2012. The Company does not expect the adoption of these new disclosure requirements to have a material impact on its disclosures or consolidated financial position, results of operations or cash flows.

In July 2012, the FASB issued Accounting Standards Update 2012-02 ("ASU 2012-02"), *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.* This ASU permits an entity to make a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. If an entity concludes, based on an evaluation of all relevant qualitative factors, that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, it will not be required to perform the qualitative impairment test for that asset. The objective of ASU 2012-02 is to simplify how an entity tests indefinite-lived intangible assets for impairment and to make the impairment test similar to the recent changes for testing goodwill for impairment (ASU 2011-08, *Testing Goodwill for Impairment*). ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company expects to adopt ASU 2012-02 on November 1, 2012. The adoption of this ASU will not have an impact on the Company's consolidated financial position, results of operations or cash flows.

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 July 31, 2012	Three Months Ended July 31, 2011	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Income from continuing operations	$12,626	$27,911	$35,013	$50,516
Loss from discontinued operations, net of taxes	(49)	(36)	(94)	(60)
Net income	$12,577	$27,875	$34,919	$50,456
Weighted-average common and common equivalent shares outstanding—Basic	54,145	53,207	53,863	53,051
Effect of dilutive securities:				
Stock options	242	466	320	539
Restricted stock units	363	282	367	284
Performance shares	250	246	269	210
Weighted-average common and common equivalent shares outstanding—Diluted	55,000	54,201	54,819	54,084
Net income per common share				
Basic	$ 0.23	$ 0.52	$ 0.65	$ 0.95
Diluted	$ 0.23	$ 0.51	$ 0.64	$ 0.93

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

(in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Stock options	1,208	739	1,131	706
Restricted stock units	105	27	77	21
Performance shares	—	—	—	23

4. Acquisitions

TEGG and CurrentSAFE Acquisition

On May 1, 2012, Linc Network, LLC (“Linc Network”), a wholly owned subsidiary of the Company, entered into an asset purchase agreement with TEGG Corporation (“TEGG”), CurrentSAFE Corporation (“CurrentSAFE”) (both privately held Delaware corporations), TEGG’s shareholder and certain other parties, pursuant to which Linc Network acquired substantially all of the assets and assumed certain liabilities of TEGG and CurrentSAFE, and also acquired certain software technology from TEGG’s shareholder, for an aggregate purchase price of $6.2 million in cash, subject to certain hold back amounts aggregating to $0.8 million, primarily related to working capital adjustments and indemnification provisions for representations and warranties (the “TEGG Acquisition”). The indemnification hold back amount is included in “Other assets” and “Retirement plans and other” on the accompanying consolidated balance sheet at July 31, 2012.

The assets acquired represent the franchise operations of TEGG and CurrentSAFE, and through this acquisition, the Company has expanded its electrical services to include electrical preventive and predictive maintenance solutions. The acquired net assets and results from operations have been included in the Company’s Facility Solutions segment (previously referred to as the Engineering segment) since May 1, 2012, the date of acquisition.

This acquisition was accounted for under the acquisition method of accounting. The Company has allocated the purchase price based on preliminary estimates of fair value for assets acquired and liabilities assumed using information currently available. Adjustments, if any, to the preliminary allocation are not expected to be material.

The preliminary purchase price and related allocations are summarized as follows:

	Amounts (in thousands)
Consideration transferred:	
Cash paid at closing, net of cash acquired of $160	$ 5,179
Indemnification hold back amount	461
Other hold back amounts	350
Working capital adjustment	(519)
Total cash consideration	$ 5,471
Allocated to:	
Other identifiable intangible assets	$ 2,300
Software technology	2,100
Goodwill	1,714
Other assets	775
Accrued liabilities and other	(1,418)
Net assets acquired	$ 5,471

The TEGG Acquisition related costs of $0.2 million were expensed as incurred and were recorded in selling, general and administrative expenses. Other identifiable intangible assets primarily consist of customer contracts and relationships with a weighted average life of 14 years.

Goodwill represents the excess cost over the fair value of the net tangible and intangible assets acquired. Factors that contributed to a purchase price resulting in the recognition of goodwill include the Company's strategic initiative to expand the scope and product range of its facility solutions franchise offerings into the electrical services solutions business which will provide for further expansion of this business and enhance comprehensive service offerings. The goodwill and intangible assets balance expected to be deductible for tax purposes is $4.0 million.

Revenues from the TEGG Acquisition were approximately $2.0 million since the date of acquisition. Pro forma and other supplemental financial information is not presented as this acquisition is not a material business combination to the Company's consolidated financial statements.

Linc Acquisition

On December 1, 2010, the Company acquired all of the outstanding limited liability company interests of The Linc Group, LLC ("Linc") for an aggregate purchase price of $298.7 million in cash (the "Linc Acquisition"). The operations of Linc are included in the Facility Solutions segment as of the acquisition date. Linc provides end-to-end integrated facilities management services, military base operation services, and translation and other services in support of U.S. military operations. Linc's clients include state and federal governments, commercial entities and residential customers, throughout the United States and in select international locations. The acquisition was accounted for under the acquisition method of accounting. Pro forma financial information for this acquisition has not been provided as such information is not material to the Company's consolidated financial statements.

5. Fair Value of Financial Instruments

As prescribed by FASB Accounting Standards Codification 820 ("ASC 820"), *Fair Value Measurement*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value should maximize the use of relevant observable inputs, which consist of market data obtained from independent sources and minimize the use of unobservable inputs, which include market data determined using the Company's own assumptions about valuation. ASC 820 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 assets or liabilities in active markets;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities 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 for the asset or liability.

The following table presents the fair value hierarchy, carrying amounts, and fair values of the Company's financial instruments measured on a recurring basis and other select significant financial instruments as of July 31, 2012 and October 31, 2011:

		July 31, 2012		October 31, 2011	
(in thousands)	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets measured at fair value on a recurring basis					
Assets held in funded deferred compensation plan	1	$ 4,930	$ 4,930	$ 4,717	$ 4,717
Investments in auction rate securities	3	16,704	16,704	15,670	15,670
		21,634	21,634	20,387	20,387
Other select financial asset					
Cash and cash equivalents	1	21,650	21,650	26,467	26,467
Total		$ 43,284	$ 43,284	$ 46,854	$ 46,854
Financial liability measured at fair value on a recurring basis					
Interest rate swap	2	$ 249	$ 249	$ 253	$ 253
Other select financial liability					
Line of credit	2	252,000	252,000	300,000	300,000
Total		$252,249	$252,249	$300,253	$300,253

The following methods and assumptions were used to estimate the fair value of the Company's classes of financial instruments measured on a recurring basis and other select financial instruments:

The fair value of the assets held in the funded deferred compensation plan is based on quoted market prices. The assets are included in "Other assets" on the accompanying consolidated balance sheets.

For investments in auction rate securities, fair value is based on discounted cash flow valuation models, primarily utilizing unobservable inputs. See Note 6, "Auction Rate Securities," for the roll-forwards of assets measured at fair value using significant unobservable Level 3 inputs and the sensitivity analysis of significant inputs.

Cash and cash equivalents are stated at nominal value which equals fair value.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for London Interbank Offered Rate (“LIBOR”) forward rates at the end of the period. The fair value is then compared to a valuation received from an independent third-party. See Note 8, “Line of Credit Facility.”

Due to variable interest rates, the carrying value of outstanding borrowings under the Company’s line of credit approximates its fair value. See Note 8, “Line of Credit Facility.”

The Company’s non-financial assets and liabilities, which include goodwill and long lived assets held and used, are not required to be measured at fair value on a recurring basis. However, if certain trigger events occur, or if an annual impairment test is required, the Company would evaluate the non-financial assets and liabilities for impairment. If an impairment was to occur, the asset or liability would be recorded at the estimated fair value.

During the nine months ended July 31, 2012, the Company had no transfers of assets or liabilities between any of the above hierarchy levels.

6. Auction Rate Securities

As of July 31, 2012, the Company holds investments in auction rate securities from four different issuers having an original principal amount of $5.0 million each (aggregating $20.0 million). These auction rate securities are debt instruments with stated maturities ranging from 2033 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days. Auctions for these securities have not occurred since August 2007. At July 31, 2012 and October 31, 2011, the estimated fair value of these securities, in total, was approximately $16.7 million and $15.7 million, respectively. As of July 31, 2012, three of the Company’s auction rate securities, with an aggregate fair value of $11.7 million, were in a continuous unrealized loss position for less than twelve months, and the remaining auction rate security, with a fair value of $5.0 million, was not in an unrealized loss position. As of October 31, 2011, three of the Company’s auction rate securities, with an aggregate fair value of $10.7 million, were in a continuous unrealized loss position for more than twelve months, and the remaining auction rate security, with a fair value of $5.0 million, was not in an unrealized loss position.

The Company estimates the fair values utilizing a discounted cash flow model, which considers, among other factors, assumptions about: (1) the underlying collateral; (2) credit risks associated with the issuer; (3) contractual maturity; (4) credit enhancements associated with financial insurance guarantees, if any; and (5) assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction. 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 following table presents the significant assumptions used to determine the fair value of the Company’s auction rate securities at July 31, 2012 and October 31, 2011:

Assumptions	July 31, 2012	October 31, 2011
Discount rates	L + 2.34% - L + 10.52%	L + 3.21% - L + 17.50%
Yields	2.15%, L + 2.00 % - L + 3.50%	L + 2.00% - L + 3.50%
Average expected lives	4 - 10 years	4 - 10 years

L - London Interbank Offered Rate

The fair value of the auction rate securities is affected most significantly by the changes in the average expected lives of the securities, but is also impacted by the discount rate used to adjust the outcomes to their present values. If the average expected lives of the securities increase or decrease, the fair value of the securities will decrease or increase accordingly, in amounts that will vary, based on the timing of the projected cash flows and the discount rate used to calculate the present value of the expected cash flows.

The Company's determination of whether its auction rate securities are other-than-temporarily impaired is based on an evaluation of several factors, circumstances, and known or reasonably supportable trends including, but not limited to: (1) the Company's intent not to sell the securities; (2) the Company's assessment that it is not more likely than not that the Company will be required to sell the securities before recovering its cost basis; (3) expected defaults; (4) available ratings for the securities or the underlying collateral; (5) the rating of the associated guarantor (where applicable); (6) the nature and value of the underlying collateral expected to service the investment; (7) actual historical performance of the security in servicing its obligations; and (8) actuarial experience of the underlying re-insurance arrangement (where applicable), which in certain circumstances may have preferential rights to the underlying collateral.

The Company's determination of whether an other-than-temporary impairment ("OTTI") represents a credit loss is based upon the difference between the present value of the expected cash flows to be collected and the amortized cost basis of the security. Significant assumptions used in estimating the credit loss include: (1) default rates for the security and the mono-line insurer, if any (which are based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored). Adverse changes in any of these factors could result in additional declines in fair value and further other-than-temporary impairments in the future.

During the nine months ended July 31, 2012, the Company recorded an OTTI credit loss of $0.3 million for one of its auction rate securities, driven primarily from a change in the expected values of cash flows to be received in the future. The Company had previously recognized an OTTI credit loss of $1.7 million for this security as of the year ended October 31, 2011. The credit losses were based upon the difference between the present value of the expected cash flows to be collected and the amortized cost basis of the security. Significant assumptions used in estimating the credit loss include: (1) default rates for the security and the mono-line insurer, if any (which were based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored). Adverse changes in any of these factors could result in additional declines in fair value and further other-than-temporary impairments in the future.

The following table presents the changes in the cost basis and fair value of the Company's auction rate securities for the nine months ended July 31, 2012:

(in thousands)	Cost Basis	Fair Value (Level 3)
Balance at beginning of year	$ 18,307	$ 15,670
Unrealized gains included in accumulated other comprehensive loss	—	2,477
Unrealized losses included in accumulated other comprehensive loss	—	(1,443)
Other-than-temporary credit losses recognized in earnings	(313)	—
Balance at July 31, 2012	$ 17,994	$ 16,704

At July 31, 2012 and October 31, 2011, unrealized losses of $1.3 million ($0.8 million net of taxes) and $2.6 million ($1.6 million net of taxes), respectively, were recorded in accumulated other comprehensive loss.

7. Self-Insurance

The Company self-insures certain insurable risks, such as workers' compensation, general liability, automobile and property damage. The Company periodically performs a thorough review, with the assistance of external professionals, of its estimate of the ultimate cost for self-insurance reserves. As part of this evaluation, the Company reviews the status of existing and new claims and coordinates this review with third-party claims administrators. The Company compares actual trends to expected trends and monitors claims developments. The third-party claims administrators that manage the claims for the Company project their estimates of the ultimate cost for each claim based upon known factors related to the management of the claims, legislative matters, and case law. After reviewing the findings with the Company, the specific case reserves estimated by the third-party claims administrators are provided to an actuary who assists the Company in projecting an actuarial estimate of the overall ultimate cost for self-insurance, which includes the case reserves plus an actuarial estimate of reserves required for additional developments, including "incurred but not reported" claim costs. The independent third-party's actuarial estimate of the reserves is reviewed by management and forms the basis for management's best estimate of the reserves, as recorded in the Company's financial statements.

Although the Company engages third-party experts to assist in estimating appropriate self-insurance reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company's reserves. The interpretation of trends requires knowledge of many factors, which include, among others, changes in regulatory requirements, safety programs, and/or claims handling practices. If analyses of losses suggest that the frequency or severity of claims incurred has changed, the Company would be required to record increases or decreases in expenses for self-insurance liabilities.

Actuarial evaluations completed during the three months ended July 31, 2012, covering certain self-insurance programs of the Company, resulted in an increase in the self-insurance reserve of $9.7 million, substantially all of which pertains to prior year claims. This adjustment was recorded in the Corporate segment. The increase was primarily related to higher than expected losses in general liability and workers' compensation claims for years prior to fiscal 2012. During the fourth quarter of 2012, actuarial reports are expected to be completed for the Company's remaining programs using recent claims data and may result in additional adjustments to earnings during that period.

At July 31, 2012, the Company had $96.9 million in standby letters of credit (primarily related to its workers' compensation, general liability, automobile, and property damage programs), $31.7 million in restricted insurance deposits, and $211.1 million in surety bonds (of which $35.1 million supported insurance claim liabilities). At October 31, 2011, the Company had $97.0 million in standby letters of credit, $36.0 million in restricted insurance deposits, and $231.5 million in surety bonds (of which $30.9 million supported insurance claim liabilities).

8. Line of Credit Facility

The Company holds a $650.0 million five-year syndicated line of credit that is scheduled to expire on September 8, 2016 (the "Facility"). The Company has the option to increase the size of the Facility to $850.0 million at any time prior to the expiration (subject to receipt of commitments for the increased amount from existing and new lenders). The Facility is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures, and other general corporate purposes, including acquisitions. The Facility is inclusive of two sub-facilities: (1) up to $50.0 million in swing line advances, and (2) up to $300.0 million for letters of credit, for borrowing by the Company.

The Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, the Facility also requires that the Company maintain the following three financial covenants which are described in Note 9, "Line of Credit Facility", to the Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for 2011: (1) a fixed charge coverage ratio; (2) a leverage ratio; and (3) a combined net worth test. The Company was in compliance with all covenants as of July 31, 2012.

As of July 31, 2012, the total outstanding amount under the Facility in the form of cash borrowings was $252.0 million, which included $2.0 million in swing line borrowings. Available credit under the line of credit was up to $301.3 million at July 31, 2012. Available credit under the swing line credit facility was up to $48.0 million and $50.0 million at July 31, 2012 and October 31, 2011, respectively. The weighted average interest rate on the outstanding balance of the swing line credit facility was 1.66% at July 31, 2012. The Company's ability to draw down available amounts under its line of credit is subject to compliance with the covenants described above.

Interest Rate Swap

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of $25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for LIBOR forward rates at the end of the period. The Company includes its own credit risk for financial instruments deemed liabilities and counterparty credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments. For derivative instruments designated as cash flow hedges, the effective portion of the derivative's mark-to-market gain or loss is initially reported as a component of accumulated other comprehensive income (loss) ("AOCI") and subsequently reclassified into earnings when the hedged transactions occur and affect earnings. Interest payable and receivable under the swap agreement is accrued and recorded as an adjustment to interest expense.

As of July 31, 2012 and October 31, 2011, the fair value of the interest rate swap was a liability of $0.2 million and $0.3 million, respectively, which were included in "Retirement plans and other" on the accompanying consolidated balance sheets. The amount included in accumulated other comprehensive loss was $0.2 million ($0.1 million, net of taxes) and $0.3 million ($0.2 million, net of taxes) at July 31, 2012 and October 31, 2011, respectively.

Unrealized net losses related to the interest rate swap contract which are expected to be reclassified from AOCI to earnings during the next 12 months were $0.2 million at July 31, 2012.

The following tables set forth the effect of the Company's interest rate swap contract on the consolidated financial statements for the three and nine months ended July 31, 2012 and 2011:

	Amount of loss recognized in AOCI on derivative (effective portion) (in thousands)			
	Three months ended July 31		Nine months ended July 31	
Derivatives designated as cash flow hedging relationships	**2012**	**2011**	**2012**	**2011**
Interest rate swap	$ (49)	$ (354)	$ (117)	$ (108)

	Amount of loss reclassified from AOCI into income (effective portion) (in thousands)			
	Three months ended July 31		Nine months ended July 31	
Location of loss reclassified from AOCI into income (effective portion)	**2012**	**2011**	**2012**	**2011**
Interest expense	$ (42)	$ (45)	$ (121)	$ (395)

9. Benefit Plans

The components of net periodic benefit cost of the Company's defined benefit plans and post-retirement benefit plans attributable to participants associated with continuing operations for the three and nine months ended July 31, 2012 and 2011 were as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in thousands)	**2012**	**2011**	**2012**	**2011**
Defined Benefit Plans				
Service cost	$ 12	$ 12	$ 36	$ 35
Interest	124	142	372	427
Expected return on plan assets	(122)	(93)	(365)	(280)
Amortization of actuarial losses	24	29	73	86
Net expense	$ 38	$ 90	$ 116	$ 268
Post-Retirement Benefit Plans				
Service cost	$ 3	$ 3	$ 9	$ 10
Interest	62	64	185	192
Net expense	$ 65	$ 67	$ 194	$ 202

10. Contingencies

The Company is subject to legal proceedings, settlements, class actions, and purported class actions arising from the ordinary course of business, generally including employment-based claims and customer contract claims. Litigation outcomes are difficult to predict and are often resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. In accordance with FASB Accounting Standards Codification 450-20, *Loss Contingencies*, the Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. Legal costs associated with loss contingencies are expensed as incurred. At July 31, 2012, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $6.9 million.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible but not probable. Management currently estimates that the range of loss for all reasonably possible losses for which an estimate can be made is between $0 and $92.3 million, including $89.7 million related to the “Augustus case” noted below. Factors underlying this estimate will change from time to time, and actual results may vary significantly from this estimate. Those matters for which the Company cannot reasonably estimate potential losses are not included within this estimated range and, therefore, this range does not represent the Company’s maximum potential loss exposure. The ultimate resolution of such matters is always uncertain, and any such proceeding brought against the Company could have a material adverse impact on its financial condition and results of operations.

There have been no significant changes to the cases disclosed in Note 11 in the Company’s Notes to Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the year ended October 31, 2011, except as described below.

The Company is a defendant in the previously reported consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services filed on July 12, 2005 in the Superior Court of California, Los Angeles County (the “Augustus case”). The Augustus case is a class action involving allegations that the Company violated certain state laws relating to meal and rest breaks. As previously disclosed, the plaintiffs filed a motion for summary judgment on the rest break claim seeking damages in the amount of $103.0 million. On July 6, 2012, the Superior Court of California, Los Angeles County (the “Superior Court”) heard plaintiffs’ motion for damages on the rest break claim and the Company’s motion to decertify the class. The Superior Court denied the Company’s motion and awarded plaintiffs damages. On July 31, 2012, the Superior Court entered judgment in favor of plaintiffs in the amount of approximately $89.7 million, which is included in the range of loss for all reasonably possible losses noted above. This amount does not include plaintiffs’ counsel’s fees. The Company strongly disagrees with the decisions of the Superior Court, firmly believes that it has complied with applicable law, and intends to vigorously appeal these decisions.

The Company was a defendant in the previously reported consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006 in Los Angeles Superior Court (the “Superior Court”). On June 22, 2011, the parties accepted a mediator’s proposal which involves settling all the claims made in the first amended complaint for the period of October 1, 2002 to the date on which the Superior Court grants preliminary approval of the settlement. The Superior Court granted its preliminary approval of the settlement on December 13, 2011. On January 27, 2012, the notice to the class of the settlement was mailed. The Superior Court approved the final settlement on May 21, 2012. Settlement funds totaling approximately $3.2 million, including payments to plaintiff’s attorneys, were disbursed in late May 2012.

The Company is a defendant in the previously reported case of Khadera v. American Building Maintenance Co.- West and ABM Industries filed on March 24, 2008 in the U.S. District Court of Washington, Western District (the “Khadera case”). The Khadera case is a collective action and involves allegations relating to unpaid overtime and meal and rest claims. It is an opt-in class under the Fair Labor Standards Act and 343 plaintiffs are in the class. On March 14, 2012, the parties accepted a mediator’s proposal and settled this matter for $1.8 million, which includes payments to plaintiffs’ attorneys. The settlement is subject to the District Court’s approval of the settlement and the state court’s approval of the settlement in the companion Simpson case discussed below. The Company has accrued $1.8 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the previously reported case of Simpson v. ABM Janitorial Services-Northwest and ABM Industries Incorporated filed on September 24, 2010 in the Superior Court for the State of Washington in and for King County (the “Simpson case”). The Simpson case involves allegations relating to unpaid overtime, off-the-clock work, and failure to provide meal and rest periods under Washington state law. On March 14, 2012, the parties accepted a mediator’s proposal and settled this matter for $1.2 million, which includes payments to plaintiffs’ attorneys. The settlement is subject to the State Court’s approval of the settlement and the District Court’s approval of the settlement in the Khadera companion case. The Company has accrued $1.2 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the case of Las and Yanez v. ABM Industries Incorporated, et al. filed on April 6, 2011 in Illinois state court and subsequently removed to the U.S. District Court for the Northern District of Illinois (the "Las/Yanez case"). The Las/Yanez case involves allegations relating to unpaid overtime and off-the-clock work under federal and state law. It was filed as a collective action, but has not been certified as a class action or collective action. On May 4, 2012, the parties accepted a mediator's proposal, which involves settling all the claims made in the operative complaint for the period of April 6, 2008 through May 7, 2012, subject to court approval. Under the terms of the proposed settlement, the gross settlement value ("GSV") is the total agreed-upon value of the claims of all settlement class members in the Las/Yanez case assuming that 100% of the settlement class members were to submit a claim. The parties have agreed that the GSV is equal to $5.5 million, less certain costs and payments to the named plaintiffs in this action. Under the terms of the proposed settlement, in the event that more than 30% of the settlement class, measured by the aggregate value of their claims in relation to the GSV, submits claims, the Company has the option to terminate the settlement agreement. The Company currently anticipates that payments to members of the settlement class who properly submit claims, together with payments to plaintiffs' attorneys, will total approximately $2.1 million and that the Company's maximum exposure would be approximately $2.9 million. The Company has accrued $2.1 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the case of Bojorquez v. ABM Industries Incorporated and ABM Janitorial Services – Northern California, Inc. filed on January 13, 2010, in the San Francisco Superior Court (the "Superior Court"). Plaintiff brought suit for sexual harassment, retaliation, and failure to prevent harassment and discrimination. On May 17, 2012, a jury awarded the plaintiff approximately $0.8 million in damages. The Company anticipates that the plaintiff also will file an application for attorneys' fees and costs with the Superior Court. The Company intends to appeal this decision.

Other

During October 2011, the Company began an internal investigation into matters relating to compliance with the U.S. Foreign Corrupt Practices Act and the Company's internal policies in connection with services provided by a foreign entity affiliated with a former Linc joint venture partner. Such services commenced prior to the Linc Acquisition. As a result of the investigation, the Company has caused Linc to terminate its association with the arrangement. In December 2011, the Company contacted the U.S. Department of Justice and the Securities and Exchange Commission to voluntarily disclose the results of its internal investigation to date. The Company cannot reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, the Company does not believe that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flows. There have been no significant changes to the status of this internal investigation during the quarter ended July 31, 2012.

In June 2012, the Company settled certain matters arising under a contract related to a prior divestiture and, in connection therewith, made a payment of $1.8 million to the other party to the contract primarily in exchange for a release from certain restrictive covenants.

11. Comprehensive Income

The following table presents the components of comprehensive income for the three and nine months ended July 31, 2012 and 2011:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in thousands)	2012	2011	2012	2011
Net income	$12,577	$27,875	$34,919	$50,456
Other comprehensive income:				
Unrealized (losses) gains on auction rate securities	(1,290)	(355)	1,034	(23)
Reclass adjustment for credit losses recognized in earnings	—	—	313	—
Unrealized (losses) gains on interest rate swap agreement	(7)	(309)	4	287
Foreign currency translation	(155)	(41)	(86)	545
Actuarial gains—adjustments to pension and other post-retirement plans	24	16	73	49
Income tax benefit (expense) related to other comprehensive income	522	265	(583)	(127)
Comprehensive income	$11,671	$27,451	$35,674	$51,187

12. Income Taxes

The effective tax rates on income from continuing operations for the three months ended July 31, 2012 and 2011 were 41.3% and 26.1%, respectively. The effective tax rates on income from continuing operations for the nine months ended July 31, 2012 and 2011 were 38.8% and 32.2%, respectively. The tax provision for the three and nine months ended July 31, 2011 included a tax benefit of $4.7 million related to a re-measurement of certain unrecognized tax benefits. Additionally, the effective tax rate for the three and nine months ended July 31, 2012 increased due to the expiration of employment based tax credits as of December 31, 2011. At July 31, 2012, the Company had unrecognized tax benefits of $96.7 million, all of which, if recognized in the future, would impact its effective tax rate. Approximately $0.8 million of the Company's unrecognized tax benefits has been recognized as a current liability. The Company includes interest and penalties related to unrecognized tax benefits in income tax expense. As of July 31, 2012, the Company had accrued interest related to uncertain tax positions of $1.4 million. The Company estimates that a decrease in unrecognized tax benefits up to approximately $8.7 million is reasonably possible over the next twelve months.

The Company's major tax jurisdiction is the United States. U.S. federal income tax returns for ABM, OneSource Services, Inc., and the Linc entities that are taxable as corporations, remain open for examination for the periods ending October 31, 2006 through October 31, 2011, March 31, 2000 through November 14, 2007, and December 31, 2008 through December 31, 2010, respectively. ABM is currently being examined by the Internal Revenue Service ("IRS") for the tax years 2006 through 2008. The Company does business in all 50 states, significantly in California, Texas, and New York, as well as in various foreign jurisdictions. In major state jurisdictions, the tax years 2007 through 2011 remain open and subject to examination by appropriate tax authorities. The Company is currently being examined by the state taxing authorities in Illinois, Michigan, Utah, New Jersey, Massachusetts and Texas, and by the Commonwealth of Puerto Rico.

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13. Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. The Company is organized into four reportable operating segments, Janitorial, Facility Solutions, Parking and Security, which are summarized as follows:

(in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011
Revenues				
Janitorial	$ 602,459	$ 598,697	$1,790,246	$1,783,557
Facility Solutions	229,903	236,213	686,226	658,058
Parking	154,980	153,323	461,110	462,316
Security	91,602	87,736	272,474	260,630
Corporate and other	291	278	208	938
	$1,079,235	$1,076,247	$3,210,264	$3,165,499
Operating profit				
Janitorial	$ 34,850	$ 40,144	$ 98,852	$ 104,942
Facility Solutions	8,785	9,878	21,531	24,170
Parking	7,768	7,171	18,610	16,799
Security	2,962	2,813	4,819	5,011
Corporate and other	(31,192)	(19,273)	(83,980)	(66,774)
Operating profit	23,173	40,733	59,832	84,148
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	—	—	(313)	—
Income from unconsolidated affiliates, net	747	1,166	5,380	2,785
Interest expense	(2,407)	(4,114)	(7,682)	(12,477)
Income from continuing operations before income taxes	$ 21,513	$ 37,785	$ 57,217	$ 74,456

Most Corporate expenses are not allocated. Such expenses generally include current actuarial developments of self-insurance reserves relating to claims incurred in prior years, certain legal costs and settlements, certain information technology costs, share-based compensation costs, branding initiative costs, direct acquisition costs, severance costs associated with acquisitions, and certain chief executive officer and other finance and human resource department costs.

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

The following discussion of the financial condition and results of operations of ABM Industries Incorporated (“ABM”) and its subsidiaries (collectively the “Company”) should be read in conjunction with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and 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 for the year ended October 31, 2011 (the “Annual Report”), which has been filed with the Securities and Exchange Commission, or (“SEC”).

Business Overview

The Company is a leading provider of end-to-end integrated facilities management services to commercial, governmental, industrial, institutional, residential, and retail facilities primarily throughout the United States. The Company’s comprehensive capabilities include expansive facility services, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking and security, provided through stand-alone or integrated solutions. The Company’s business is impacted by, among other things, commercial and government office building occupancy and rental rates, government spending for outsourced services, industrial activity, air travel levels, tourism, and transportation needs at colleges, universities, and health care service facilities.

Strategy and Outlook

The Company expects to continue to grow organically and through further domestic and international acquisitions in response to the perceived growing client demand for a global integrated facility service provider. The Company believes that achieving the desired long-term growth levels of revenues and profitability in the future will depend upon, among other things, its ability to attract and retain clients at desirable profit margins, make successful acquisitions (while maintaining a target leverage ratio), and keep overall costs low. Additionally, the Company continues to assess the impact that the annual federal budget and U.S. Government policy and strategy changes will have on its government clients. The Company plans to remain competitive by, among other things, expanding its presence in key vertical markets where it has built technical expertise, know-how, and client relationships, as well as differentiating services by leveraging investments made in technology and infrastructure.

Summary of Key Financial Performance Indicators

During the second half of 2011 and continuing throughout 2012, the U.S. economy was weaker than originally anticipated resulting in price compressions and certain contract losses from the Company’s clients. Further, a significant portion of the Company’s revenues are generated from contracts with the U.S. Government. The Company is continually assessing the potential impact that the size, composition, and timing of congressional approval of the annual federal budget will have on its government clients. In addition, the Company monitors and assesses the potential impact of U.S. Government policy and strategy changes on its government clients. While the volume of bid activity and request for proposals for future awards remains active, the Company’s government business has experienced and may continue to experience delays in new contract awards and in the start dates of currently awarded contracts or early termination of existing contracts. These factors, along with higher unemployment insurance expense, the accrual of certain legal settlement costs, and increased self-insurance expense, have negatively impacted the Company’s operating results in 2012.

The Company self-insures certain insurable risks, such as workers’ compensation, general liability, automobile, and property damage. The Company periodically performs a thorough review, with the assistance of external professionals, of its estimate of the ultimate cost for self-insurance reserves. As part of this evaluation, the Company reviews the status of existing and new claims and coordinates this review with third-party claims administrators. The Company compares actual trends to expected trends and monitors claims developments. The third-party claims administrators that manage the claims for the Company project their estimates of the ultimate cost for each claim based upon known factors related to the management of the claims, legislative matters, and case law. After reviewing the findings with the Company, the specific case reserves estimated by the third-party claims administrators are provided to an actuary who assists the Company in projecting an actuarial estimate of the overall ultimate cost for self-insurance, which includes the case reserves plus an actuarial estimate of reserves required for additional developments, including “incurred but not reported” claim costs. The independent third-party’s actuarial estimate of the reserves is reviewed by management and forms the basis for management’s best estimate of the reserves, as recorded in the Company’s financial statements.

Although the Company engages third-party experts to assist in estimating appropriate self-insurance reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company's reserves. The interpretation of trends requires knowledge of many factors, which include, among others, changes in regulatory requirements, safety programs, and/or claims handling practices. If analyses of losses suggest that the frequency or severity of claims incurred has changed, the Company would be required to record increases or decreases in expenses for self-insurance liabilities.

During 2012, the Company noticed the effects of unfavorable developments in general liability and worker's compensation claims for years prior to fiscal 2012. General liability claims related to earlier policy years experienced losses significantly higher than were previously estimated as a result of a large increase in known claims for older accident periods. Workers' compensation expense was unfavorable in California and other states where the Company has a significant presence. Specifically, in California, workers' compensation claims were favorable for older years, but adverse for more current years, primarily due to California's general economic and workers' compensation environment. After analyzing the historical loss development patterns, comparing the loss development against benchmarks, and applying actuarial projection methods, the Company increased its expected losses for prior year claims, which resulted in an increase in the related self-insurance reserves of $9.5 million during the three months ended July 31, 2012, that was recorded in the Corporate segment. During the fourth quarter of 2012, actuarial reports are expected to be completed for the Company's remaining programs using recent claims data and may result in additional adjustments to earnings during that period.

The Company's total revenue increased by $3.0 million, or 0.3%, to $1,079.2 million in the three months ended July 31, 2012, as compared to $1,076.2 million in the three months ended July 31, 2011. The increase in revenues was driven by higher sales in the Security, Janitorial and Parking segments, partially offset by the continuing impact of price compressions, and revenue declines in the Facility Solutions segment. The decrease in the Facility Solutions segment was primarily related to lower government revenues due to the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year, partially offset by higher ABM Building and Energy Solutions ("ABES") revenues as a result of new contracts.

The Company's total revenue increased by $44.8 million, or 1.4%, to $3,210.3 million in the nine months ended July 31, 2012, as compared to $3,165.5 million in the nine months ended July 31, 2011. The increase in revenues was primarily related to revenues associated with the acquisition of The Linc Group, LLC, which was acquired on December 1, 2010 (the "Linc Acquisition").

Operating profit decreased by $17.5 million, or 43.1%, from $40.7 million in the three months ended July 31, 2011 to $23.2 million in the three months ended July 31, 2012, and decreased by $24.3 million, or 28.9%, from $84.1 million in the nine months ended July 31, 2011 to $59.8 million in the nine months ended July 31, 2012. The decrease was primarily related to an increase in self-insurance expense related to prior year claims as a result of actuarial valuations completed in the three months ended July 31, 2012 and higher payroll and payroll related expenses. The decrease in operating profit was also related to higher legal settlement costs, and the continuing impact of price compressions and contract losses, including the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year.

In addition to revenues and operating profit, the Company's management views operating cash flows as a good indicator of financial performance, as strong operating cash flows provide opportunities for growth both organically and through acquisitions. Operating cash flows primarily depend on: revenue levels; the quality and timing of collections of accounts receivable and payments to suppliers and other vendors; the timing and amount of income tax payments; and the timing and amount of payments on self-insured claims. Operating cash flows are also impacted by receivables relating to government contracts, as these receivables generally have longer collection periods. The Company's net cash provided by continuing operating activities was $82.2 million and $82.6 million, for the nine months ended July 31, 2012 and 2011, respectively.

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Results of Operations

Three Months Ended July 31, 2012 vs. Three Months Ended July 31, 2011

($ in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$1,079,235	$1,076,247	$ 2,988	0.3%
Expenses				
Operating	971,628	952,844	18,784	2.0%
Gross margin as a % of revenues	*10.0%*	*11.5%*	*(1.5)%*	
Selling, general and administrative	79,100	76,356	2,744	3.6%
As a % of revenues	*7.3%*	*7.1%*	*0.2%*	
Amortization of intangible assets	5,334	6,314	(980)	(15.5)%
Total expenses	1,056,062	1,035,514	20,548	2.0%
Operating profit	23,173	40,733	(17,560)	(43.1)%
Income from unconsolidated affiliates, net	747	1,166	(419)	(35.9)%
Interest expense	(2,407)	(4,114)	(1,707)	(41.5)%
Income from continuing operations before income taxes	21,513	37,785	(16,272)	(43.1)%
Provision for income taxes	(8,887)	(9,874)	(987)	(10.0)%
Income from continuing operations	12,626	27,911	(15,285)	(54.8)%
Loss from discontinued operations, net of taxes	(49)	(36)	13	(36.1)%
Net income	$ 12,577	$ 27,875	$(15,298)	(54.9)%

Revenues

The Company's total revenue increased by $3.0 million, or 0.3%, to $1,079.2 million in the three months ended July 31, 2012, as compared to $1,076.2 million in the three months ended July 31, 2011. The increase in revenues was driven by higher sales in the Security, Janitorial and Parking segments, partially offset by the continuing impact of price compressions, and a decline in the Facility Solutions segment revenues. The decrease in revenues in the Facility Solutions segment was primarily related to lower government revenues due to the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year, partially offset by higher ABES revenues as a result of new contracts.

Operating Expenses

Operating expenses increased by $18.8 million, or 2.0%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. As a percentage of revenues, gross margin decreased by 1.5%, from 11.5% in the three months ended July 31, 2011 to 10.0% in the three months ended July 31, 2012. The decrease in gross margin was primarily related to an increase in self-insurance expenses, primarily related to prior year claims as a result of actuarial valuations completed in the three months ended July 31, 2012, and an increase in payroll and payroll related expenses, including the impact of one additional working day in the current quarter. The decrease was also related to the continuing impact of price compressions and contract losses, including the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $2.7 million, or 3.6%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. As a percentage of revenues, selling, general and administrative expenses slightly increased by 0.2%, from 7.1% in the three months ended July 31, 2011 to 7.3% in the three months ended July 31, 2012. The increase in selling, general and administrative expenses was primarily related to the absence of a $2.7 million settlement received in the prior year quarter, related to a dispute that arose in connection with the L&R acquisition, and a $1.8 million settlement paid in the current quarter in exchange for a release from certain restrictive covenants in connection with a contract related to a prior divestiture. The increase in selling, general and administrative expenses was partially offset by the impact of companywide cost control measures.

Amortization of Intangible Assets

Amortization of intangible assets decreased by $1.0 million, or 15.5%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The decrease was primarily related to certain intangible assets being amortized using the sum-of-the-years'-digits method, which results in declining amortization expense over the assets' useful life.

Interest Expense

Interest expense decreased by $1.7 million, or 41.5%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The decrease was primarily related to a decrease in average borrowings and average interest rates under the Facility. The average outstanding balances under the Company's line of credit facility (the "Facility") were $283.0 million and $373.5 million in the three months ended July 31, 2012 and 2011, respectively.

Provision for Income Taxes

The effective tax rates on income from continuing operations for the three months ended July 31, 2012 and 2011 were 41.3% and 26.1%, respectively. The tax provision for the prior year quarter included a tax benefit of $4.7 million related to a re-measurement of certain unrecognized tax benefits. Additionally, the effective tax rate for the three months ended July 31, 2012 increased due to the expiration of employment based tax credits as of December 31, 2011.

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Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. Segment revenues and operating profits for the three months ended July 31, 2012 and 2011 were as follows:

($ in thousands)	Three Months Ended July 31, 2012	2011	Increase / (Decrease) $	%
Revenues				
Janitorial	$ 602,459	$ 598,697	$ 3,762	0.6%
Facility Solutions	229,903	236,213	(6,310)	(2.7)%
Parking	154,980	153,323	1,657	1.1%
Security	91,602	87,736	3,866	4.4%
Corporate and other	291	278	13	4.7%
	$1,079,235	$1,076,247	$ 2,988	0.3%
Operating profit				
Janitorial	$ 34,850	$ 40,144	$ (5,294)	(13.2)%
Operating profit as a % of revenues	*5.8%*	*6.7%*	*(0.9)%*	
Facility Solutions	8,785	9,878	(1,093)	(11.1)%
Operating profit as a % of revenues	*3.8%*	*4.2%*	*(0.4)%*	
Parking	7,768	7,171	597	8.3%
Operating profit as a % of revenues	*5.0%*	*4.7%*	*0.3%*	
Security	2,962	2,813	149	5.3%
Operating profit as a % of revenues	*3.2%*	*3.2%*	*0.0%*	
Corporate and other	(31,192)	(19,273)	(11,919)	(61.8)%
Operating profit	$ 23,173	$ 40,733	$(17,560)	(43.1)%

Janitorial

($ in thousands)	Three Months Ended July 31, 2012	2011	Increase / (Decrease) $	%
Revenues	$602,459	$598,697	$ 3,762	0.6%
Operating Profit	34,850	40,144	(5,294)	(13.2)%
Operating profit as a % of revenues	*5.8%*	*6.7%*	*(0.9)%*	

Janitorial revenues increased by $3.8 million, or 0.6%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The increase was primarily related to new business, partially offset by a reduction in tag work and the continuing impact of lost business and contract price compressions experienced in fiscal years 2011 and 2012.

Operating profit decreased by $5.3 million, or 13.2%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. Operating profit margin decreased by 0.9%, from 6.7% in the three months ended July 31, 2011 to 5.8% in the three months ended July 31, 2012. The decrease in operating profit was primarily related to an increase in payroll and payroll related expenses, including the impact of one additional working day in the three months ended July 31, 2012. Also contributing to the decrease were higher self-insurance expenses, and the continuing impact of lost business and contract price compressions experienced in fiscal years 2011 and 2012. The decrease in operating profit was partially offset by a reduction in selling, general and administrative expenses due to cost control measures.

Facility Solutions

($ in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$229,903	$236,213	$(6,310)	(2.7)%
Operating Profit	8,785	9,878	(1,093)	(11.1)%
Operating profit as a % of revenues	*3.8%*	*4.2%*	*(0.4)%*	

Facility Solutions revenues decreased by $6.3 million, or 2.7%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The decrease was primarily related to decreases in government revenues, due to the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year. The decrease in government revenues was partially offset by an increase in commercial facility services and ABES revenues as a result of new contracts, and $2.0 million of additional revenue from the acquisition of TEGG Corporation on May 1, 2012, (the “TEGG Acquisition”).

Operating profit decreased by $1.1 million, or 11.1%, during the three months ended July 31, 2012 compared to the three months ended July 31, 2011. Operating profit margins decreased by 0.4%, from 4.2% in the three months ended July 31, 2011 to 3.8% in the three months ended July 31, 2012. The decrease in operating profit margins was primarily related to the unfavorable margin impact as a result of the termination of certain U.S. Government contracts in Iraq and lower margins on certain new business contracts within the commercial facility services business. The decrease was partially offset by higher margins on increased ABES revenues and lower selling, general and administrative expenses due to cost control measures.

Parking

($ in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$154,980	$153,323	$1,657	1.1%
Operating Profit	7,768	7,171	597	8.3%
Operating profit as a % of revenues	*5.0%*	*4.7%*	*0.3%*	

Parking revenues increased by $1.7 million, or 1.1%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The increase was primarily related to increased revenues from existing management reimbursement contracts and new business, partially offset by contract losses, including the termination of certain unprofitable contracts.

Operating profit increased by $0.6 million, or 8.3%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. Operating profit margins improved by 0.3%, from 4.7% in the three months ended July 31, 2011 to 5.0% in the three months ended July 31, 2012. The increase was primarily related to improved operating margins on certain existing contracts, the termination of certain unprofitable contracts, and the impact of a favorable legal settlement in the current quarter.

Security

($ in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$91,602	$87,736	$3,866	4.4%
Operating Profit	2,962	2,813	149	5.3%
Operating profit as a % of revenues	*3.2%*	*3.2%*	*0.0%*	

Security revenues increased by $3.9 million, or 4.4%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011, primarily due to additional revenues from new business.

Operating profit slightly increased by $0.1 million, or 5.3%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011, primarily as a result of the increase in revenues. Operating profit margins remained flat at 3.2% in the three months ended July 31, 2012 and 2011.

Corporate and other

($ in thousands)	Three Months Ended July 31, 2012	Three Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Corporate expenses	$(31,192)	$(19,273)	$(11,919)	(61.8)%

Corporate expenses increased by $11.9 million, or 61.8%, in the three months ended July 31, 2012, as compared to the three months ended July 31, 2011. The increase in corporate expenses was primarily related to an increase in self-insurance expenses of $8.4 million related to prior year claims as a result of actuarial valuations completed in the three months ended July 31, 2012. Also contributing to the increase in corporate expenses was the absence of a $2.7 million settlement received in the prior year quarter, related to a dispute that arose in connection with the L&R acquisition, and a $1.8 million settlement paid in the current quarter in exchange for a release from certain restrictive covenants in connection with a contract related to a prior divestiture.

Results of Operations

Nine Months Ended July 31, 2012 vs. Nine Months Ended July 31, 2011

($ in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$3,210,264	$3,165,499	$ 44,765	1.4%
Expenses				
Operating	2,885,964	2,821,672	64,292	2.3%
Gross margin as a % of revenues	*10.1%*	*10.9%*	*(0.8)%*	
Selling, general and administrative	248,284	242,406	5,878	2.4%
As a % of revenues	*7.7%*	*7.7%*	*0.0%*	
Amortization of intangible assets	16,184	17,273	(1,089)	(6.3)%
Total expense	3,150,432	3,081,351	69,081	2.2%
Operating profit	59,832	84,148	(24,316)	(28.9)%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	NM*
Income from unconsolidated affiliates, net	5,380	2,785	2,595	93.2%
Interest expense	(7,682)	(12,477)	(4,795)	(38.4)%
Income from continuing operations before income taxes	57,217	74,456	(17,239)	(23.2)%
Provision for income taxes	(22,204)	(23,940)	(1,736)	(7.3)%
Income from continuing operations	35,013	50,516	(15,503)	(30.6)%
Loss from discontinued operations, net of taxes	(94)	(60)	(34)	56.7%
Net income	$ 34,919	$ 50,456	$(15,537)	(30.8)%

* Not Meaningful

Revenues

Revenues increased by $44.8 million, or 1.4%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. The Company's increase in revenues was primarily related to revenues associated with the timing of the Linc Acquisition, which occurred on December 1, 2010, new business within the Janitorial and Security segments, and additional revenues from new ABES contracts. The increase in revenues was partially offset by the continuing impact of price compressions and the impact of contract losses, including the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year.

Operating Expenses

Operating expenses increased by $64.3 million, or 2.3%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. As a percentage of revenues, gross margin decreased by 0.8%, from 10.9% in the nine months ended July 31, 2011 to 10.1% in the nine months ended July 31, 2012. The decrease in gross margin was primarily related to an increase in payroll and payroll related expenses, including higher federal and state unemployment insurance rates, and the impact of one additional working day in the nine months ended July 31, 2012. Also contributing to the decrease were higher self-insurance expenses, primarily related to prior year claims as a result of actuarial valuations completed in the three months ended July 31, 2012, and the continuing impact of price compressions and contract losses, including the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $5.9 million, or 2.4%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. As a percentage of revenues, selling, general and administrative expenses remained flat at 7.7% in the nine months ended July 31, 2012 and 2011.

The increase in selling, general and administrative expenses was primarily related to:

- $4.5 million higher expense associated with the settlement of certain legal cases;
- $3.3 million of legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture;
- the absence of a $2.7 million settlement received in fiscal 2011, related to a dispute that arose in connection with the L&R acquisition;
- $2.1 million of costs associated with the Company's branding initiative; and
- $1.8 million settlement paid in exchange for a release from certain restrictive covenants in connection with a contract related to a prior divestiture;

partially offset by:

- $5.0 million reduction in acquisition transaction costs primarily related to the Linc Acquisition; and
- $2.3 million reductions in selling, general and administrative expenses primarily related to companywide cost control measures.

Amortization of Intangible Assets

Amortization of intangible assets decreased by $1.1 million, or 6.3%, in the nine months ended July 31, 2012 as compared to the nine months ended July 31, 2011. The decrease was primarily related to certain intangible assets being amortized using the sum-of-the-years'-digits method, which results in declining amortization expense over the assets' useful life.

Income from Unconsolidated Affiliates, Net

Income from unconsolidated affiliates, net, increased by $2.6 million, or 93.2%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. The increase was primarily related to the Company's share of a gain associated with property sales completed by one of its investments in a low income housing partnership.

Interest Expense

Interest expense decreased by $4.8 million, or 38.4%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. The decrease was primarily related to a decrease in average borrowings and average interest rates under the Facility. The average outstanding balances under the Company's Facility were $298.4 million and $377.4 million in the nine months ended July 31, 2012 and 2011, respectively.

Provision for Income Taxes

The effective tax rates on income from continuing operations for the nine months ended July 31, 2012 and 2011 were 38.8% and 32.2%, respectively. The tax provision for the prior year included a tax benefit of $4.7 million related to a re-measurement of certain unrecognized tax benefits. Additionally, the effective tax rate for the nine months ended July 31, 2012 increased due to the expiration of employment based tax credits as of December 31, 2011.

Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. Segment revenues and operating profits for the nine months ended July 31, 2012 and 2011 were as follows:

	Nine Months Ended July 31,		Increase / (Decrease)	
($ in thousands)	2012	2011	$	%
Revenues				
Janitorial	$1,790,246	$1,783,557	$ 6,689	0.4%
Facility Solutions	686,226	658,058	28,168	4.3%
Parking	461,110	462,316	(1,206)	(0.3)%
Security	272,474	260,630	11,844	4.5%
Corporate and other	208	938	(730)	(77.8)%
	$3,210,264	$3,165,499	$ 44,765	1.4%
Operating profit				
Janitorial	$ 98,852	$ 104,942	$ (6,090)	(5.8)%
Operating profit as a % of revenues	*5.5%*	*5.9%*	*(0.4)%*	
Facility Solutions	21,531	24,170	(2,639)	(10.9)%
Operating profit as a % of revenues	*3.1%*	*3.7%*	*(0.6)%*	
Parking	18,610	16,799	1,811	10.8%
Operating profit as a % of revenues	*4.0%*	*3.6%*	*0.4%*	
Security	4,819	5,011	(192)	(3.8)%
Operating profit as a % of revenues	*1.8%*	*1.9%*	*(0.1)%*	
Corporate and other	(83,980)	(66,774)	(17,206)	(25.8)%
Operating profit	$ 59,832	$ 84,148	$(24,316)	(28.9)%

Janitorial

	Nine Months Ended July 31,		Increase / (Decrease)	
($ in thousands)	2012	2011	$	%
Revenues	$1,790,246	$1,783,557	$ 6,689	0.4%
Operating Profit	98,852	104,942	(6,090)	(5.8)%
Operating profit as a % of revenues	*5.5%*	*5.9%*	*(0.4)%*	

Janitorial revenues increased by $6.7 million, or 0.4%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. The increase was primarily related to new business, including increases in tag work in the first half of fiscal 2012, and a reduction in the sales allowance reserve, primarily driven by sustained improvements in historical and expected credits on client receivables, partially offset by the continuing impact of lost business and contract price compressions experienced in fiscal years 2011 and 2012.

Operating profit decreased by $6.1 million, or 5.8%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. Operating profit margins decreased by 0.4%, from 5.9% in the nine months ended July 31, 2011 to 5.5% in the nine months ended July 31, 2012. The decrease in operating profit was primarily related to higher payroll and payroll related expenses, including the impact of higher federal and state unemployment insurance rates, and the impact of one additional working day in the nine months ended July 31, 2012. Also contributing to the decrease in operating profit were higher legal expenses and the continuing impact of lost business and contract price compressions experienced in fiscal years 2011 and 2012. The decrease in operating profit was partially offset by lower selling, general and administrative expenses due to cost control measures.

Facility Solutions

($ in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$686,226	$658,058	$28,168	4.3%
Operating Profit	21,531	24,170	(2,639)	(10.9)%
Operating profit as a % of revenues	*3.1%*	*3.7%*	*(0.6)%*	

Facility Solutions revenues increased by $28.2 million, or 4.3%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. The increase was primarily related to revenues associated with the timing of the Linc Acquisition which was acquired on December 1, 2010 and an increase in ABES revenues as a result of new contracts, partially offset by decreases in government revenues including the termination of certain U.S. Government contracts in Iraq earlier in the fiscal year.

Operating profit decreased by $2.6 million, or 10.9%, in the nine months ended July 31, 2012, as compared to the nine months ended July 31, 2011. Operating profit margins decreased by 0.6%, from 3.7% in the nine months ended July 31, 2011 to 3.1% in the nine months ended July 31, 2012. The decrease in operating profit margin was primarily related to the unfavorable margin impact as a result of lower government revenues and lower margins on new business contracts within the commercial facility services. The decrease in operating profit was partially offset by higher margins on increased ABES revenues and lower selling, general and administrative expenses due to cost control measures.

Parking

($ in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$461,110	$462,316	$(1,206)	(0.3)%
Operating Profit	18,610	16,799	1,811	10.8%
Operating profit as a % of revenues	*4.0%*	*3.6%*	*0.4%*	

Parking revenues decreased by $1.2 million, or 0.3%, during the nine months ended July 31, 2012 compared to the nine months ended July 31, 2011. The decrease was primarily related to lost business, including the termination of certain unprofitable contracts, in excess of new business, partially offset by increased revenues from existing clients.

Operating profit increased $1.8 million, or 10.8%, during the nine months ended July 31, 2012 compared to the nine months ended July 31, 2011. Operating profit margins increased by 0.4%, from 3.6% in the nine months ended July 31, 2011 to 4.0% in the nine months ended July 31, 2012. The increase in operating profit was primarily related to improved operating margins on certain existing contracts, the termination of certain unprofitable contracts, a reduction in payroll and payroll related expenses, and the impact of a favorable legal settlement in the current year.

Security

($ in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Revenues	$272,474	$260,630	$11,844	4.5%
Operating Profit	4,819	5,011	(192)	(3.8)%
Operating profit as a % of revenues	*1.8%*	*1.9%*	*(0.1)%*	

Security revenue increased $11.8 million, or 4.5%, during the nine months ended July 31, 2012 compared to the nine months ended July 31, 2011. The increase was primarily related to additional revenues from new business that exceeded contract losses and increased revenues from existing customers.

Operating profit decreased by $0.2 million, or 3.8%, during the nine months ended July 31, 2012 compared to the nine months ended July 31, 2011. Operating profit margins slightly decreased by 0.1%, from 1.9% in the nine months ended July 31, 2011 to 1.8% in the nine months ended July 31, 2012. The slight decrease was primarily related to increases in payroll and payroll related expenses, including higher federal and state unemployment insurance rates, partially offset by a reduction in selling, general and administrative expenses due to cost control measures.

Corporate and other

($ in thousands)	Nine Months Ended July 31, 2012	Nine Months Ended July 31, 2011	Increase / (Decrease) $	Increase / (Decrease) %
Corporate expenses	$(83,980)	$(66,774)	$(17,206)	(25.8)%

Corporate expenses increased by $17.2 million, or 25.8%, during the nine months ended July 31, 2012 compared to the nine months ended July 31, 2011, primarily due to:

- $8.4 million increase in self-insurance expense related to prior year claims as a result of actuarial valuations completed in the three months ended July 31, 2012;
- $4.5 million higher expense associated with the settlement of certain legal cases;
- $3.3 million of legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture;
- the absence of a $2.7 million settlement received in fiscal 2011, related to a dispute that arose in connection with the L&R acquisition;
- $2.1 million of costs associated with the Company’s branding initiative; and
- $1.8 million settlement paid in exchange for a release from certain restrictive covenants in connection with a contract related to a prior divestiture;

partially offset by:

- $5.0 million reduction in acquisition transaction costs primarily related to the Linc Acquisition.

Liquidity and Capital Resources

(in thousands)	July 31, 2012	October 31, 2011	Change
Cash and cash equivalents	$ 21,650	$ 26,467	$ (4,817)
Working capital	300,131	290,561	9,570
Working capital from continuing operations	299,664	288,569	11,095

	Nine Months Ended July 31,		
(in thousands)	2012	2011	Change
Net cash provided by operating activities	$ 83,780	$ 84,837	$ (1,057)
Net cash used in investing activities	(27,220)	(302,565)	275,345
Net cash (used in) provided by financing activities	(61,377)	217,896	(279,273)

The Company believes that the cash generated from operations and amounts available under the Facility will be sufficient to fund the Company's operations and cash requirements in the foreseeable future. As of July 31, 2012, the total outstanding amounts under the Company's Facility in the form of cash borrowings and standby letters of credit were $252.0 million and $96.7 million, respectively. As of July 31, 2012, the total available credit under the Facility was $301.3 million. The Company's ability to draw down available amounts under the Facility is subject to compliance with certain financial covenants, including covenants relating to a fixed charge coverage ratio, a leverage ratio, and consolidated net worth. In addition, other covenants under the Facility include limitations on liens, dispositions, fundamental changes, investments, and certain transactions and payments. As of July 31, 2012, the Company was in compliance with all financial covenants and expects to be in compliance in the foreseeable future.

Working Capital

Working capital increased by $9.5 million, from $290.6 million at October 31, 2011 to $300.1 million at July 31, 2012. Excluding the effects of discontinued operations, working capital increased by $11.1 million to $299.7 million at July 31, 2012 from $288.6 million at October 31, 2011. The increase in working capital was primarily driven by the timing of collections received from clients and payments made for prepaid expenses, partially offset by use of cash to pay down a portion of the outstanding borrowings under the Facility, and the timing of payments made for insurance claims, income taxes, and other accrued liabilities.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased by $1.0 million, from $84.8 million at July 31, 2011 to $83.8 million at July 31, 2012. The decrease was primarily related to the decrease in pre-tax income from continuing operations, partially offset by the timing of payments made for insurance claims, and collections received from clients. The timing of payments made for vendor invoices and other accrued liabilities also contributed to the decrease in net cash provided by operating activities.

Cash Flows from Investing Activities

Net cash used in investing activities decreased by $275.4 million, from $302.6 million at July 31, 2011 to $27.2 million at July 31, 2012. The decrease in net cash used in investing activities is primarily related to $290.3 million cash paid, net of cash acquired, for the Linc Acquisition in December 2010, partially offset by the redemption of an auction rate security of $5.0 million in February 2011, and a period-over-period increase in property, plant and equipment in the amount of $7.2 million.

Cash Flows from Financing Activities

Net cash used in financing activities was $61.4 million at July 31, 2012 compared to net cash provided of $217.9 million at July 31, 2011. The $279.3 million decrease in cash flows for financing activities was primarily related to $306.8 million of cash borrowed to finance the Linc Acquisition in fiscal 2011 and higher net payments made on the Company's Facility during the nine months ended July 31, 2012.

Contingencies

The Company is subject to legal proceedings, settlements, class actions, and purported class actions arising from the ordinary course of business, generally including employment-based claims and customer contract claims. Litigation outcomes are difficult to predict and are often resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. If the reasonable estimate of a potential loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. At July 31, 2012, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $6.9 million.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible but not probable. Management currently estimates that the range of loss for all reasonably possible losses for which an estimate can be made is between $0 and $92.3 million, including $89.7 million related to the “Augustus case”. Factors underlying this estimate will change from time to time, and actual results may vary significantly from this estimate. Those matters for which the Company cannot reasonably estimate potential losses are not included within this estimated range and, therefore, this range does not represent the Company’s maximum potential loss exposure. The ultimate resolution of such matters is always uncertain, and any such proceeding brought against the Company could have a material adverse impact on its financial condition and results of operations.

For additional information about the Company’s contingencies, see Notes to Unaudited Consolidated Financial Statements – *Note 10. Contingencies.*

Critical Accounting Policies and Estimates

The Company’s accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require the Company to make estimates in the application of its accounting policies based on the best assumptions, judgments, and opinions of management. There have been no significant changes to the Company’s critical accounting policies and estimates, including factors which might result in an impairment of goodwill associated with the Security segment in the future. 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 Annual Report on Form 10-K for the year ended October 31, 2011.

Additionally, effective January 1, 2012 the Company is self-insured for certain employee medical and dental programs. Although the Company engages third-party experts to assist in estimating appropriate self-insurance accounting reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company’s reserves. Changes in the Company’s insurance reserves, as a result of periodic evaluations of the related liabilities, may cause volatility in the Company’s operating results in future periods.

Recent Accounting Pronouncements

For information about recent accounting pronouncements, see Notes to Unaudited Consolidated Financial Statements – *Note 2. Unaudited Interim Financial Information: Recent Accounting Pronouncements.*

Forward-looking Statements

Certain statements contained 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 are forward-looking statements that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should”, or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements involve predictions. The Company’s actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. The Company urges readers to consider those risks and uncertainties in evaluating its forward-looking statements. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Unless otherwise noted, all information in the discussion and references to years are based on the Company’s fiscal year, which ends on October 31.

There are a number of important factors that could cause our results to differ materially from those indicated by such forward-looking statements, including those factors set forth in Item 1A. “Risk Factors” in the Annual Report. These factors include but are not limited to the following:

- we may not be able to achieve anticipated global growth due to various factors, including, but not limited to, an inability to make strategic acquisitions or compete internationally; our acquisition strategy may adversely impact our results of operations as we may not be able to achieve anticipated results from any given acquisition; and activities relating to integrating an acquired business may divert management’s focus on operational matters;
- we are subject to intense competition that can constrain our ability to gain business, as well as our profitability;
- any increases in costs that we cannot pass on to clients could affect our profitability;
- we have high deductibles for certain insurable risks, and, therefore are subject to volatility associated with those risks;
- we primarily provide our services pursuant to agreements which are cancelable by either party upon 30 to 90 days’ notice;
- our success depends on our ability to preserve our long-term relationships with clients;
- our international business exposes us to additional risks, including risks related to compliance with both U.S. and foreign laws;
- we conduct some of our operations through joint ventures and our ability to do business may be affected by the failure of our joint venture partners to perform their obligations or the improper conduct of employees, joint venture partners or agents;
- significant delays or reductions in appropriations for our government contracts as well as changes in government and clients’ priorities and requirements (including cost-cutting, the potential deferral of awards, reductions or termination of expenditures in response to the priorities of Congress and the Executive Office, or budgetary cuts) may negatively affect our business, and could have a material adverse effect on our financial position, results of operations or cash flows;
- we incur significant accounting and other control costs that reduce profitability;
- a decline in commercial office building occupancy and rental rates could negatively affect our revenues and profitability;
- deterioration in economic conditions in general could further reduce the demand for facility services and, as a result, could reduce our earnings and adversely affect our financial condition;
- financial difficulties or bankruptcy of one or more of our major clients could adversely affect our results;
- our ability to operate and pay our debt obligations depends upon our access to cash;
- future declines in the fair value of our investments in auction rate securities could negatively impact our earnings;
- uncertainty in the credit markets may negatively impact our costs of borrowing, our ability to collect receivables on a timely basis and our cash flow;
- any future increase in the level of debt or in interest rates can negatively affect our results of operations;
- an impairment charge could have a material adverse effect on our financial condition and results of operations;
- we are defendants in a number of class and representative actions or other lawsuits alleging various claims that could cause us to incur substantial liabilities;
- federal health care reform legislation may adversely affect our business and results of operations;
- changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations and financial results;
- labor disputes could lead to loss of revenues or expense variations;
- we participate in multiemployer defined benefit plans which could result in substantial liabilities being incurred; and
- natural disasters or acts of terrorism could disrupt services.

Additional information regarding these and other risks and uncertainties the Company faces is contained in the Annual Report and in other reports it files from time to time with the Securities and Exchange Commission.

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

Line of Credit

The Company's exposure to interest rate risk primarily relates to its variable rate based borrowings under the $650.0 million five-year syndicated line of credit that expires in September 2016. At July 31, 2012, outstanding LIBOR- and IBOR-based borrowings of $252.0 million represented 100% of the Company's total debt obligations. While these borrowings mature over the next 90 days, the line of credit extends through September 2016, subject to the terms of the line of credit. The Company anticipates borrowing similar amounts for periods of one week to three months. A hypothetical 1% increase in interest rates during 2012 would have added additional interest expense of $2.1 million on the average outstanding borrowings under the Company's line of credit, net of the interest rate swap agreements, in the nine months ended July 31, 2012.

For additional information about the Company's line of credit, see Notes to Unaudited Consolidated Financial Statements – *Note 8. Line of Credit Facility*.

Interest Rate Swap

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of $25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

As of July 31, 2012, the fair value of the interest rate swap was a $0.2 million liability, which was included in "Retirement plans and other" on the accompanying unaudited consolidated balance sheet. The effective portion of this cash flow hedge is recorded within accumulated other comprehensive loss and reclassified into interest expense in the same period during which the hedged transactions affect earnings. The amount included in accumulated other comprehensive loss was $0.2 million ($0.1 million, net of taxes) at July 31, 2012.

For additional information about the Company's interest rate swap, see Notes to Unaudited Consolidated Financial Statements – *Note 8. Line of Credit Facility: Interest Rate Swap*.

Investment in Auction Rate Securities

At July 31, 2012, the Company held investments in auction rate securities from four different issuers having an aggregate original principal amount of $20.0 million. The investments are not subject to material interest rate risk. These auction rate securities are debt instruments with stated maturities ranging from 2033 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days based on spreads to a base rate (i.e., LIBOR). A hypothetical 1% increase in interest rates during 2012 would have added approximately $0.2 million of additional interest income in the nine months ended July 31, 2012.

During the nine months ended July 31, 2012, the Company recorded an additional other-than-temporary impairment ("OTTI") credit loss of $0.3 million for one of its auction rate securities, driven primarily by a change in the expected values of cash flows to be received in the future. The Company had previously recognized an OTTI credit loss of $1.7 million for this security as of the year ended October 31, 2011.

For additional information about the Company's auction rate securities, see Notes to Unaudited Consolidated Financial Statements – *Note 6. Auction Rate Securities.*

Foreign Currency

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 Rule 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 within the Company, if any, 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

There were no changes in the Company's internal control over financial reporting during the quarter ended July 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, other than the continued remediation of certain controls associated with the Linc Acquisition on December 1, 2010 and integration activities.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A discussion of material developments in the Company's litigation occurring in the period covered by this report can be found in Note 10, "Contingencies," to the unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risk factors identified in our Annual Report on Form 10-K for the year ended October 31, 2011, in response to Item 1A. "Risk Factors", to Part I of the Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

10.1*‡	Executive Stock Option Plan, as amended and restated June 4, 2012.
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.
101.INS	XBRL Report Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Indicates management contract or compensatory plan, contract or arrangement
‡ Indicates filed herewith
† Indicates furnished herewith

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
September 6, 2012	/s/ James S. Lusk James S. Lusk Executive Vice President and Chief Financial Officer (Duly Authorized Officer)
September 6, 2012	/s/ Dean A. Chin Dean A. Chin Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

ABM INDUSTRIES INCORPORATED

EXECUTIVE STOCK OPTION PLAN

(as amended and restated as of June 4, 2012)

ARTICLE 1

Definitions

As used herein, the following terms have the meanings hereinafter set forth unless the context clearly indicates to the contrary:

(a) “Beneficiary” means a person designated as such by an Optionee or a Beneficiary for purposes of the Plan or determined with reference to Section 4.4.

(b) “Board” shall mean the Board of Directors of the Company.

(c) “Cause” shall mean, with respect to an Optionee, (i) the willful and continued failure to substantially perform the Optionee’s duties and responsibilities for reasons other than death or disability, after a written demand for substantial performance is delivered to him/her by the Company which specifically identifies the manner in which the Company believes that the Optionee has not substantially performed the Optionee’s duties; (ii) the Optionee’s conviction (or entry of a plea bargain admitting criminal guilt) of any felony or a misdemeanor involving moral turpitude; (iii) intentional breach by the Optionee of his/her fiduciary obligations to the Company or any securities laws applicable to the Company; or (iv) intentional wrongful engagement by the Optionee in any Competitive Activity; and, for purposes of this subsection (iv), any such act shall have been demonstrably and materially harmful to the Company. For purposes of the Plan, no act or failure to act on the part of the Optionee will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by the Optionee not in good faith and without reasonable belief that the Optionee’s action or omission was in the best interest of the Company.

(d) “Change in Control” shall mean that any of the following events occurs: (i) (A) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) 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; or (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.

(e) “Committee” shall mean the Compensation Committee of the Board, or such other committee as the Board may designate. The Committee shall consist of not fewer than three members of the Board. Each member of the Committee shall be a “disinterested person” as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

(f) “Company” shall mean ABM Industries Incorporated.

(g) “Competitive Activity” shall mean, with respect to an Optionee, the Optionee’s participation, without the written consent signed by an officer of the Company and authorized by the Board, in the management of any business enterprise if (i) such enterprise engages in substantial and direct competition with the Company and such enterprise’s sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise’s net sales for its most recently completed fiscal year and if the Company’s net sales of said product or service amounted to 10% of the Company’s net sales for its most recently completed fiscal year or (ii) the primary business done or intended to be done by such enterprise is in direct competition with the business of providing facility services in any geographic market in which the Company operates. “Competitive Activity” will not include the mere ownership of securities in any such enterprise and the exercise of rights appurtenant thereto, if such ownership is less than 5% of the outstanding voting securities or units of such enterprise.

(h) The “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(i) For the purposes of this Plan, the term “fair market value,” when used in reference to the date of grant of an option or the date of surrender of Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the “Wall Street Journal,” or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted.

(j) “Incumbent Directors” shall mean the individuals who, as of December 9, 2008, are members of the Board and any individual becoming a member of the Board subsequent to such date 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 members of the Board or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(k) “Nonemployee Director” shall mean a member of the Board who is neither an employee of the Company nor of any Subsidiary.

(l) “Option” shall mean an option to purchase Stock granted to the provisions of Article VI hereof.

(m) “Optionee” shall mean an individual to whom an Option has been granted hereunder.

(n) “Plan” shall mean the ABM Industries Incorporated Executive Stock Option Plan, the terms of which are set forth herein.

(o) “Stock” shall mean the Common Stock of the Company or, in the event that the outstanding shares of Stock are hereafter changed into or exchanged for shares of a different stock or securities of the Company or some other corporation, such other stock or securities.

(p) “Stock Option Agreement” shall mean the agreement between the Company and the Optionee under which the Optionee may purchase Stock hereunder.

(q) “Subsidiary” shall mean any corporation, the majority of the outstanding capital stock of which is owned, directly or indirectly, by the Company.

(r) “Vesting Date” shall mean an Optionee’s “Initial Vesting Date” or “Final Vesting Date”, as the case may be. An Optionee’s Initial Vesting Date shall apply to the first fifty percent (50 %) of the shares covered by his or her Option, and shall mean the Optionee’s sixty-first (61st) birthday. An Optionee’s Final Vesting Date shall apply to the remaining fifty percent (50%) of the shares covered by such Option, and shall mean the Optionee’s sixty fourth (64th) birthday.

ARTICLE II

The Plan

2.1 Name. This Plan shall be known as the “ABM Industries Incorporated Executive Stock Option Plan”.

2.2 Purpose. The purpose of the Plan is to advance the interests of the Company and its shareholders by affording to Nonemployee Directors and to key management employees of the Company and its Subsidiaries an opportunity to acquire or increase their proprietary interest in the Company by the grant to such individuals of Options under the terms set forth herein. By thus encouraging such individuals to become owners of the Company shares, the Company seeks to motivate, retain, and attract those highly competent individuals upon whose judgment, initiative, leadership, and continued efforts the success of the Company in large measure depends.

ARTICLE III

Participants

Any officer or other key management employee of the Company of its Subsidiaries shall be eligible to participate in the Plan. Prior to December 9, 2003, the Committee may grant Options to any eligible employee in accordance with such determinations as the Committee from time to time in its sole discretion shall make. Effective December 9, 2003, no additional Options shall be granted under the Plan. Each Nonemployee Director who both (1) is such on the date of the 1995 Annual Meeting of Stockholders, and (2) does not hold an Option, automatically shall receive as of such date only, an Option to purchase 12,000 shares of Stock, but subject to Section 6.2 (regarding the ineligibility of 10 percent ((10%) holders). Each Nonemployee Director who becomes such after the 1995 Annual Meeting of Stockholders and prior to December 9, 2003, automatically shall receive, as of the date of his or her election or appointment to the Board, an Option to purchase 12,000 shares of Stock.

ARTICLE IV

Administration

4.1 Duties and Powers of Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan, the Committee shall have the sole discretion and authority to determine from among eligible employee those to whom an the time or times at which the Options may be granted and the number of shares of Stock to be subject to each Option. Subject to the express provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the details and provisions of each Stock Option Agreement, and to make all other determinations necessary or advisable in the administration of the Plan.

4.2 Majority Rule. A majority of the members of the committee shall constitute a quorum, and any action taken by a majority present at a meeting at which a quorum is present or any action taken without a meeting evidenced by a writing executed by a majority of the whole Committee shall constitute the action of the Committee.

4.3 Company Assistance. The Company shall supply fill and timely information to the Committee on all matters relating to eligible employees and Nonemployee Directors, their employment or service, death, retirement, disability or other termination of employment or service, and such other pertinent facts as the Committee may require. The Company shall furnish the Committee with such clerical and other assistance as is necessary in the performance of its duties.

4.4 Beneficiary Designation. Optionees and their Beneficiaries may designate on the prescribed form one or more Beneficiaries to whom distribution shall be made of any vested Options outstanding at the time of the Optionee’s or Beneficiary’s death. An Optionee or Beneficiary may change such designation at any time by filing the prescribed form with the Committee or its designee. If a Beneficiary has not been designated or if no designated Beneficiary survives the Optionee or Beneficiary, distribution will be made to the residuary beneficiary under the terms of the Optionee’s or Beneficiary’s last will and testament or, in the absence of a last will and testament, to the Optionee’s or Beneficiary’s estate as beneficiary.

ARTICLE V

Shares of Stock Subject to Plan

5.1 Limitations. Subject to adjustment pursuant to the provisions of Section 5.3 hereof, the number of shares of Stock which may be issued and sold hereunder shall not exceed 2,360,000 shares. Such shares may be either authorized and unissued shares or shares issued and thereafter acquired by the Company.

5.2 Options and Awards Granted Under Plan. Shares of Stock with respect to which an Option granted hereunder shall have been exercised shall not again be available for Options hereunder. If Options granted hereunder shall terminate for any reason without being wholly exercised, new Options may be granted hereunder for the number of shares to which such Option termination relates.

5.3 Antidilution. In the event that the outstanding shares of Stock hereafter are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of merger, consolidation, other reorganization, recapitalization, reclassification, combination of shares, stock split-up or stock dividend:

(a) The aggregate number and kind of shares subject to Options which may be granted hereunder shall be adjusted appropriately;

(b) Rights under outstanding Options granted hereunder, both as to the number of subject shares and the Option price, shall be adjusted appropriately;

(c) Where dissolution or liquidation of the Company or any merger or combination in which the Company is not a surviving corporation is involved, each outstanding Option granted hereunder shall terminate, but the Optionee shall have the right, immediately prior to such dissolution, liquidation, merger, or combination, to exercise his Option in whole or in part, without regard to any time of exercise provisions.

The foregoing adjustments and the manner of application of the foregoing provisions shall be determined solely the Committee, and any such adjustment may provide for the elimination of fractional share interests

ARTICLE VI

Options

6.1 Option Grant and Agreement. Each Option granted hereunder shall be evidenced by minutes of a meeting or the written consent of the Committee and by a written Stock Option Agreement dated as of the date of grant and executed by the Company and the Optionee, which Agreement shall set forth such terms and conditions as my be determined by the Committee consistent with the Plan.

6.2 Participant Limitation. The Committee shall not grant an Option to any individual for such number of shares of Stock that, immediately after the grant, the total number of shares of Stock owned or subject to all options exercisable at any time by such individual exceed ten percent (10%) of the total combined voting power of all Stock of the Company or its Subsidiaries. For this purpose an individual shall be considered as owning stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendents, and stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries.

6.3 Option Price. The per share Option price of the Stock subject to each Option shall be determined by the Committee, but the per share price shall not be less than the Fair Market Value of the Stock on the date the Option is granted. The per share Option price of the Stock subject to each Option granted to a Nonemployee Director shall equal 100% of the Fair Market Value of the Stock on the date the Option is granted.

6.4 Period of Exercisablity. Subject to Sections 6.5 (a) and 6.7, the period during which each Option may be exercised shall be determined in accordance with the following rules. As to the first fifty percent (50%) of the shares covered by an Option, the Option may be exercised during the period commencing on the Optionee's Initial Vesting Date and ending one (1) year after the Optionee's termination of employment with the Company and all of its Subsidiaries (termination from the Board, in the case of Nonemployee Director).

As to the remaining fifty percent (50%) of the shares covered by the Option, the Option may be exercised during the period commencing on the Optionee's Final Vesting Date and ending one (1) year after the Optionee's termination of employment with the Company and all of its Subsidiaries (termination from the Board, in the case of a Nonemployee Director).

6.5 Option Exercise.

(a) Options granted hereunder may not be exercised unless the Optionee shall have remained in the employ of the Company or its Subsidiaries (on the Board in the case of a Nonemployee Director) until the applicable Vesting Date.

(b) Options may be exercised in whole or in part from time to time with respect to whole shares only, during such period for the exercise thereof, and shall be exercised by written notice of exercise with respect to a specified number of shares delivered to the Company at its headquarters office, and payment in full to the Company at said office of the amount of the Option price for the number of shares of Stock with respect to which the Option is exercised. The Option exercise price shall be payable in cash or, in the discretion of the Committee, in shares of Stock or a combination of cash and shares of Stock. In addition to and at the time of payment of the Option price, Optionee shall pay to the Company in cash or, in the discretion of the Committee, in shares of Stock or a combination of cash and shares of Stock, the full amount of all applicable withholding taxes applicable to the taxable income of such Optionee resulting from such exercise.

6.6 Nontransferability of Option. Options shall be exercisable, during the Optionee's lifetime, only by the Optionee. No Option or any right granted thereunder shall be transferable by the Optionee by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, an Optionee may designate a Beneficiary to succeed, after the Optionee's death, to all of the Optionee's Options outstanding on the date of death.

6.7 Effect of Change in Control on Options. In the event of a Change in Control, the surviving, continuing, successor, or purchasing Company or other business entity or parent thereof, as the case may be (the "Acquiror") may, without the consent of any Optionee, either assume or continue the Company's rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options covering the Acquiror's stock. All options assumed or continued by the Acquiror in connection with a Change in Control will become fully vested and exercisable if, during the 12-month period following the Change in Control, the Optionee's employment is terminated without Cause or, in the case of a Nonemployee Director, the Optionee's service to the Company as a Director is terminated. Any Options that are neither assumed nor continued by the Acquiror in connection with the Change in Control shall, contingent on the Change in Control, become fully vested and exercisable immediately prior to the Change in Control.

6.8 Effect of Termination of Employment or Service. Subject to the provisions of Section 6.7 above, if, prior to an Optionees applicable Vesting Date, the Optionee's employment or service shall be terminated by the Company or a Subsidiary with or without Cause, or by the act of the Optionee, the right to exercise such Option (or portion thereof) shall terminate and all rights thereunder shall cease.

6.9 Rights as Stockholder. An Optionee shall have no rights as a stockholder with respect to any shares subject to such Option prior to the purchase of such shares by exercise of such Option as provided herein.

ARTICLE VII

Stock Certificates

The Company shall not be required to issue or deliver any certificate for shares of Stock purchased upon the exercise of any Option granted hereunder prior to fulfillment of all the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which the Stock is then listed;

(b) The completion of any registration or other qualification of such shares under any federal or state law or under the rulings or regulations of the Securities Exchange Commission or any other governmental regulatory body, which the Committee shall in its sole discretion deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any federal or state governmental agency which the Committee shall in its sole discretion determine to be necessary or advisable; and

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee from time to time may establish or approve for reasons of administrative convenience.

ARTICLE VIII

Amendment and Termination of Plan

The Board may at any time, or from time to time, amend or terminate the Plan in any respect, except that, to the extent required to maintain this Plan's qualification under Rule 16b-3, any amendment shall be subject to stockholder approval.

ARTICLE IX

Miscellaneous

9.1 No Effect on Employment or Service. Nothing in the Plan or in any Option granted hereunder or in any Stock Option Agreement shall confer upon any employee the right to continue as a member of the Board or in the employ of the Company or in any Subsidiary.

9.2 Use of Proceeds. The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options shall be added to the Company's general funds and used for general corporate purposes.

9.3 Effective Date. The effective date of this amendment and restatement of the Plan is January 11, 2005. The amendment and restatement of the Plan shall have no effect on the Options granted under the Plan prior to the amendment and restatement.

9.4 Plan Binding on Successors. The Plan shall be binding upon the successors and assigns of the Company.

9.5 Singular, Plural; Gender. Wherever used herein, nouns in the singular shall include the plural and the masculine pronoun shall include the feminine gender.

9.6 Headings Not Part of Plan. Headings of Articles and Sections hereof are inserted for convenience and reference; they constitute no part of the Plan.

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.

September 6, 2012

/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 finan cial 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.

September 6, 2012

/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 July 31, 2012, 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.

September 6, 2012

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

September 6, 2012

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