

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended October 31, 2003

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

(IRS Employer Identification Number)

160 Pacific Avenue, Suite 222, San Francisco, California
(Address of principal executive offices)

94111
(Zip Code)

Registrant's telephone number, including area code: (415) 733-4000

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

Title of Each Class
Common Stock, \$.01 par value
Preferred Stock Purchase Rights

Name of Each Exchange on Which Registered
New York Stock Exchange
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

As of April 30, 2003 (the last business day of registrant's most recently completed second fiscal quarter), non-affiliates of the registrant beneficially owned shares of the registrant's common stock with an aggregate market value of \$541,504,655, computed by reference to the price at which the common stock was last sold.

As of December 31, 2003, there were 48,530,777 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be used by the Company in connection with its 2004 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

ABM Industries Incorporated
Form 10-K
For the Fiscal Year Ended October 31, 2003
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PART I

ITEM 1. BUSINESS

ABM Industries Incorporated (“ABM”) is one of the largest facility services contractors listed on the New York Stock Exchange. With annual revenues in excess of \$2.2 billion and more than 64,000 employees, ABM and its subsidiaries (the “Company”) provide janitorial, parking, engineering, security, lighting and mechanical services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities in the United States and British Columbia, Canada.

The Company also provided elevator services until August 15, 2003, on which date substantially all of the operating assets of Amtech Elevator Services, Inc., a wholly-owned subsidiary of ABM (“Amtech Elevator”), were sold to Otis Elevator Company, a wholly-owned subsidiary of United Technologies Corporation (“Otis Elevator”). See “Discontinued Operation” contained in Item 7.

ABM was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909. The corporate headquarters of the Company is located at 160 Pacific Avenue, Suite 222, San Francisco, California 94111, and the Company’s telephone number at that location is (415) 733-4000. The Company’s Website is www.abm.com. Through a link on the Investor Relations section of the Company’s Website, the following filings are made available as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: (1) Annual Reports on Form 10-K, (2) Quarterly Reports on Form 10-Q, (3) Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as well as (4) the Section 16 filings by ABM’s directors and executive officers. All such filings are available free of charge. In addition, ABM makes available on its Website certain materials related to its corporate governance.

Industry Information

The Company conducts business through a number of subsidiaries, which are grouped into seven segments based on the nature of the business operations. The operating subsidiaries within each segment generally report to the same senior management. Referred to collectively as the “ABM Family of Services,” at October 31, 2003 the seven segments were:

- Janitorial

- Parking
- Engineering
- Security
- Lighting
- Mechanical
- Facility Services

The Company also provided elevator services until August 15, 2003 when it sold substantially all of the operating assets of its Elevator segment. See “Discontinued Operation” contained in Item 7.

The business activities of the Company by industry segment, as they existed at October 31, 2003, are more fully described below.

• **Janitorial.** The Company performs janitorial services through a number of the Company’s subsidiaries, primarily operating under the names “ABM Janitorial Services,” “American Building Maintenance” and “ABM Lakeside Building Maintenance.” The Company provides a wide range of basic janitorial services for a variety of facilities, including commercial office buildings, industrial plants, financial institutions, retail stores, shopping centers, warehouses, airport terminals, health and educational facilities, stadiums and arenas, and government buildings. Services provided include floor cleaning and finishing, window washing, furniture polishing, carpet cleaning and dusting, as well as other building cleaning services. The Company’s Janitorial subsidiaries maintain 111 offices in 42 states, the District of Columbia and one Canadian province, and operate under thousands of individually negotiated building maintenance contracts, nearly all of which are obtained by competitive bidding. The Company’s Janitorial contracts are either fixed-price agreements or they contain clauses under which the customer agrees to reimburse the full amount of wages, payroll taxes, insurance charges and other expenses plus a profit percentage. Generally, profit margins on maintenance contracts tend to be inversely proportional to the size of the contract. The majority of Janitorial contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days’ written notice and contain automatic renewal clauses.

• **Parking.** The Company provides parking services through a number of subsidiaries, primarily operating under the names “Ampco System Parking” “Ampco System Airport Parking” and “Ampco Express Airport Parking.” The Company’s Parking

subsidiaries maintain 28 offices and operate in 30 states. The Company operates approximately 1,700 parking lots and garages, including, but not limited to, the following airports: Austin, Texas; Buffalo, New York; Denver, Colorado; Honolulu, Hawaii; Orlando, Florida; and San Francisco, California. In conjunction with its on-airport parking services, the Company also operates off-airport parking facilities in Philadelphia, Pennsylvania; Houston and Dallas, Texas; Los Angeles and San Diego, California, and parking shuttle bus services at 13 locations. Approximately 40% of the lots and garages are leased and 60% are operated through management contracts for third parties. The lease terms generally range from 3 to 20 years and usually contain provisions for renewal options. Leases which expire may continue on a month-to-month basis or may be replaced by similar leases. Many leases contain provisions for contingent rentals based on revenues. Management contracts contain clauses under which the customer agrees to reimburse the full amount of wages, payroll taxes, insurance charges and other expenses plus a profit percentage.

• **Engineering.** The Company provides engineering services through a number of subsidiaries, primarily operating under the name “ABM Engineering Services.” The Company provides facilities with on-site engineers to operate, maintain and repair electrical, energy management, mechanical and plumbing systems utilizing in part computerized maintenance management systems. These services are designed to maintain equipment at optimal efficiency for customers such as high-rise office buildings, schools, computer centers, shopping malls, manufacturing facilities, museums and universities. The Company’s Engineering subsidiaries operate in 23 states through 13 branch and regional offices, five of which are in California and one each in Arizona, Colorado, Florida, Illinois, Massachusetts, New York, Pennsylvania and Texas. The majority of Engineering contracts contain clauses under which the customer agrees to reimburse the full amount of wages, payroll taxes, insurance charges and other expenses plus a profit percentage. Additionally, the majority of Engineering contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days’ written notice. ABM Engineering Services Company, a wholly-owned subsidiary has maintained ISO 9002 Certification for the past five years, the only national engineering services provider of on-site operating engineers to earn this prestigious designation. ISO is a quality standard comprised of a rigorous set of guidelines and good business practices against which companies are evaluated through a comprehensive independent audit process.

• **Security.** The Company provides security services through a number of subsidiaries, primarily operating under the names “American Commercial Security Services,” “ACSS” and “ABM Security Services.” The Company provides security guards; electronic monitoring of fire, life safety systems and access control devices; and security consulting services to a wide range of businesses. The Company’s Security subsidiaries maintain 25 offices and operates in the major metropolitan areas of Phoenix, Arizona; Los Angeles, Sacramento, San Diego, San Francisco and Santa Clara, California; Chicago, Illinois; New Orleans, Louisiana; Minneapolis, Minnesota; Portland, Oregon; Houston, Dallas, Fort Worth, Austin and San Antonio, Texas; Seattle, Washington; New York City, New York; and Philadelphia and Pittsburgh, Pennsylvania. The sales under the majority of Security contracts are based on actual hours of service at contractually specified rates. Additionally, the majority of Security contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days’ written notice and contain automatic renewal clauses.

• **Lighting.** The Company provides lighting services through a number of subsidiaries, primarily operating under the name “Amtech Lighting Services.” The Company provides relamping, fixture cleaning, and periodic lighting maintenance service to a variety of commercial, industrial and retail facilities. The Company’s Lighting subsidiaries also repair and maintain electrical outdoor signage, and provide electrical service and repairs. The Company’s Lighting subsidiaries operate 27 offices, eight of which are located in California, four in Texas, two in North Carolina, and one office in each of the following states: Alabama, Arizona, Florida, Georgia, Illinois, Kentucky, Louisiana, Minnesota,

Nevada, New Jersey, New York, Oregon and Washington. Lighting contracts are either fixed-price agreements or time and materials based where the customer is billed according to actual hours of service and materials used at contractually specified prices. Contracts range from one to six years, but the majority are subject to termination by either party after 30 to 90 days' written notice. Most maintenance agreements involving initial services, such as relamping and fixture cleaning, include cancellation penalties.

• **Mechanical.** The Company provides mechanical services through a number of subsidiaries, primarily operating under the names "CommAir Mechanical Services" and "CommAir Preferred Mechanical Services." The Company installs, maintains and repairs heating, ventilation and air conditioning and refrigeration equipment, performs chemical water treatment and provides energy conservation services for commercial, industrial and institutional facilities. The Company's Mechanical subsidiaries maintain nine offices, eight of which are located in California and one in Phoenix, Arizona. Mechanical contracts are either fixed-price agreements or time and materials based where the customer is billed according to actual hours of service and materials used at contractually specified prices. The majority of such contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days' written notice. Contracts for projects, however, typically cannot be cancelled.

• **Facility Services.** The Company provides facility services through a number of subsidiaries, primarily operating under the name "ABM Facility Services." The Company provides customers with streamlined, centralized control and coordination of multiple facility service needs. This process is consistent with the greater competitive demands on corporate organizations to become more efficient in the business market today. By leveraging the core competencies of the Company's other service offerings, the Company attempts to reduce overhead (such as redundant personnel) for its customers by providing multiple services under a single contract, with one contact and one invoice. Its National Service Call Center provides centralized dispatching, emergency services, accounting and related reports to financial institutions, high-tech companies and other customers regardless of industry or size. Facility Services is headquartered in San Francisco, where it also maintains its National Service Call Center.

Additional information relating to the Company's industry segments appears in Note 13 of Notes to Consolidated Financial Statements.

Trademarks

The Company believes that it owns or is licensed to use all corporate names, tradenames, trademarks, service marks, copyrights, patents and trade secrets which are material to the Company's operations.

Competition

The Company believes that each aspect of its business is highly competitive, and that such competition is based primarily on price and quality of service. The Company provides nearly all its services under contracts originally obtained through competitive bidding. The low cost of entry to the facilities services business has led to strongly competitive markets made up of large numbers of mostly regional and local owner-operated companies, located in major cities throughout the United States and in British Columbia, Canada (with particularly intense competition in its janitorial business in the Southeast and South Central regions of the United States). The Company also competes with the operating divisions of a few large, diversified facility service and manufacturing companies on a national basis. Indirectly, the Company competes with building owners and tenants that perform internally one or more of the services provided by the Company. These building owners and tenants might have a competitive advantage when the Company's services are subject to sales tax and internal operations are not. Furthermore, competitors may have lower costs because privately-owned companies operating in a limited geographic area may have significantly lower labor and overhead costs. These strong competitive pressures could inhibit the Company's success in bidding for profitable business and its ability to increase prices even as costs rise, thereby reducing margins.

Sales and Marketing

The Company's sales and marketing efforts are conducted by its corporate, subsidiary, region, branch and district offices. Sales, marketing, management and operations personnel in each of these offices participate directly in selling and servicing customers. The broad geographic scope of these offices enables

the Company to provide a full range of facility services through intercompany sales referrals, multi-service “bundled” sales and national account sales. The Company also has designated a nationwide group of “ABM Family of Services” executives to market all of the Company’s facility services capabilities.

The Company has a broad customer base, including, but not limited to, commercial office buildings, industrial plants, financial institutions, retail stores, shopping centers, warehouses, airports, health and educational facilities, stadiums and arenas, government buildings, apartment complexes, and theme parks. No customer accounted for more than 5% of its revenues during the fiscal year ended October 31, 2003.

Employees

The Company employs over 64,000 persons, of whom the vast majority are service employees who perform janitorial, parking, engineering, security, lighting and mechanical services. Approximately 28,000 of these employees are covered under collective bargaining agreements at the local level. There are about 3,700 employees with executive, managerial, supervisory, administrative, professional, sales, marketing or clerical responsibilities, or other office assignments.

Environmental Matters

The nature of the Company’s operations, primarily services, would not ordinarily involve it in environmental contamination. However, the Company’s operations are subject to various federal, state and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water and air, and the generation, handling, storage, transportation and disposal of waste and hazardous substances. These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of the Company’s operations, although historically they have not had a material adverse effect on the Company’s financial position, results of operations, or cash flows.

The Company is currently involved in two proceedings relating to environmental matters: one involving alleged potential soil contamination at a former Company facility in Arizona and one involving alleged potential soil and groundwater contamination at a Company facility in Florida. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that neither of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company’s financial position, results of operations, or cash flows. As any liability related to these claims is neither probable nor estimable, no accruals have been made related to these matters.

Three other environmental proceedings were settled during fiscal year 2003 for approximately \$0.6 million.

Executive Officers of the Registrant

The executive officers of ABM are as follows:

Name	Age	Principal Occupations and Business Experience During Past Five Years
Henrik C. Slipsager	49	President & Chief Executive Officer and a Director of ABM since November 2000; Executive Vice President of ABM and President of ABM Janitorial Services, from November 1999 through October 2000; Senior Vice President of ABM from March 1998 through October 1999; Executive Vice President of ABM Janitorial Services from January 1997 through October 1999.
Jess E. Benton III	63	Chief Operating Officer of ABM since November 2000; Executive Vice President since November 1999; Senior Vice President from July 1994 through October 1999.
James P. McClure	46	Executive Vice President of ABM since September 2002; President of ABM Janitorial Services since November 2000; Senior Vice President of ABM Janitorial Services from July 1997 through October 2000.
Linda S. Auwers	56	Senior Vice President, General Counsel & Secretary of ABM since May 2003; Vice President, Deputy General Counsel and Secretary of Compaq Computer Corporation from May 2001 through May 2002; Vice President, Secretary and Associate General Counsel of Compaq Computer Corporation from September 1999 to April 2001; Vice President and Assistant General Counsel of Compaq Computer Corporation from 1995 to September 1999.
Donna M. Dell	55	Senior Vice President of Human Resources of ABM since November 1999; Chief Employment Counsel since April 1997; Vice President of Human Resources from July 1994 through October 1999.
George B. Sundby	52	Senior Vice President & Chief Financial Officer of ABM since June 2001; Senior Vice President & Chief Financial Officer of Transamerica Finance Corporation from September 1999 through March 2001; Vice President of Financial Planning and Analysis of Transamerica Corporation from January 1995 through March 2001.
Gary R. Wallace	54	Senior Vice President of ABM, Director of Business Development & Chief Marketing Officer since November 2000; Senior Vice President of ABM Janitorial Services from September 1995 through October 2000.
Steven M. Zaccagnini	42	Senior Vice President of ABM since September 2002; President of CommAir Mechanical Services since September 2002; President of ABM Facility Services since April 2002; Senior Vice President of Jones Lang LaSalle from April 1995 through February 2002.
Maria De Martini	44	Vice President, Controller & Chief Accounting Officer of ABM since July 2001; Controller of Vectiv Corporation from March 2001 through June 2001; Assistant Controller of Transamerica Finance Corporation from December 1999 through March 2001; Director of Accounting of Transamerica Corporation from December 1997 through November 1999.
David L. Farwell	42	Vice President & Treasurer of ABM since August 2002; Treasurer of JDS Uniphase Corporation from December 1999 through April 2002; Assistant Treasurer of Acuson Corporation from October 1997 through December 1999.

ITEM 2. PROPERTIES

The Company has corporate, subsidiary, regional, branch or district offices in over 220 locations throughout the United States and in British Columbia, Canada. Fourteen of these facilities are owned by the Company. At October 31, 2003, the real estate owned by the Company had an aggregate net book value of \$3.4 million and was located in: Phoenix, Arizona; Fresno, California; Jacksonville and Tampa, Florida; Portland, Oregon; Arlington, Houston and San Antonio, Texas; and Kennewick, Seattle, Spokane and Tacoma, Washington.

Rental payments under long and short-term lease agreements amounted to \$96.9 million for the fiscal year ended October 31, 2003. Of this amount, \$64.2 million in rental expense was attributable to public parking lots and garages leased and operated by Parking. The remaining expense was for the rental or lease of office space, computers, operating equipment and motor vehicles.

ITEM 3. LEGAL PROCEEDINGS

In September 1999, a former employee filed a gender discrimination lawsuit against ABM in the state of Washington. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court, in the case named *Forbes v. ABM*, awarded \$4.0 million in damages, and the court later awarded costs of \$0.7 million to the former employee. In addition, the court may award the plaintiff up to \$0.8 million to mitigate the federal tax impact of the plaintiff's award (the Washington Supreme Court is currently deciding whether amounts to mitigate federal tax consequences may be awarded in wrongful termination cases). ABM will appeal the jury's verdict to the State Court of Appeals as well as the award of costs on the grounds that it was denied a fair trial. There can be no assurance that ABM will prevail in this matter. ABM, however, believes that the award against ABM was excessive and that the verdict was inconsistent with the law and the evidence. Because ABM believes that the judgment will be reversed upon appeal, ABM has not recorded any liability in its financial statements associated with the judgment. However, as of October 31, 2003, ABM has incurred and recorded legal fees of \$0.1 million associated with the appeal. These fees, which include the cost of a new trial, are expected to total approximately \$0.4 million.

The Company and some of its subsidiaries have been named defendants in certain other litigation arising in the ordinary course of business. In the opinion of management, based on advice of legal counsel, such matters should have no material effect on the Company's financial position, results of operations or cash flows.

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

Not applicable.

PART II

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

ABM's common stock is listed on the New York Stock Exchange. The following table sets forth the high and low intra-day prices of ABM's common stock on the New York Stock Exchange and quarterly cash dividends declared on common shares for the periods indicated:

	Fiscal Quarter				Year
	First	Second	Third	Fourth	
Fiscal Year 2003					
Price range of common stock:					
High	\$16.36	\$16.34	\$16.73	\$16.57	\$16.73
Low	\$13.50	\$12.50	\$13.25	\$13.94	\$12.50
Dividends declared per share	\$0.095	\$0.095	\$0.095	\$0.095	\$ 0.38
Fiscal Year 2002					
Price range of common stock:					
High	\$16.40	\$19.43	\$19.75	\$17.69	\$19.75
Low	\$13.36	\$14.88	\$14.00	\$12.92	\$12.92
Dividends declared per share	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.36

At December 31, 2003, there were 4,199 registered holders of ABM's common stock, in addition to stockholders in street name. To the Company's knowledge, there are no current factors that are likely to materially limit the Company's ability to pay comparable dividends for the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the Company's consolidated financial statements for each of the years in the five-year period ended October 31, 2003. It should be read in conjunction with the consolidated financial statements and the notes thereto, as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this report.

Years ended October 31, (in thousands, except per share data and ratios)	2003	2002	2001	2000	1999
Operations (1) and (2)					
Revenues					
Sales and other income	\$2,262,476	\$2,068,058	\$2,027,800	\$1,879,450	\$1,701,532
Gain on insurance claim	—	10,025	—	—	—
	2,262,476	2,078,083	2,027,800	1,879,450	1,701,532
Expenses					
Operating expenses and cost of goods sold	2,035,731	1,855,980	1,820,081	1,666,250	1,504,626
Selling, general and administrative	171,135	156,042	144,927	133,013	124,605
Interest	758	1,052	2,600	3,319	1,959
Goodwill amortization (3)	—	—	12,065	11,006	9,569
	2,207,624	2,013,074	1,979,673	1,813,588	1,640,759
Income from continuing operations before income taxes	54,852	65,009	48,127	65,862	60,773
Income taxes	18,454	20,951	18,259	25,747	25,078
Income from continuing operations	36,398	44,058	29,868	40,115	35,695
Income from discontinued operation, net of income taxes	2,560	2,670	2,958	4,228	3,972
Gain on sale of discontinued operation, net of income taxes	51,500	—	—	—	—
Net income	\$ 90,458	\$ 46,728	\$ 32,826	\$ 44,343	\$ 39,667
Net income per common share — Basic					
Income from continuing operations	\$ 0.74	\$ 0.90	\$ 0.62	\$ 0.88	\$ 0.80
Income from discontinued operation	0.05	0.05	0.06	0.09	0.09
Gain on sale of discontinued operation	1.05	—	—	—	—
	\$ 1.84	\$ 0.95	\$ 0.68	\$ 0.97	\$ 0.89
Net income per common share — Diluted					
Income from continuing operations	\$ 0.73	\$ 0.86	\$ 0.59	\$ 0.83	\$ 0.74
Income from discontinued operation	0.05	0.06	0.06	0.09	0.08
Gain on sale of discontinued operation	1.03	—	—	—	—
	\$ 1.81	\$ 0.92	\$ 0.65	\$ 0.92	\$ 0.82
Average common and common equivalent shares					
Basic	49,065	49,116	47,598	45,102	44,134
Diluted	50,004	51,015	50,020	47,418	47,496
Financial Statistics					
Dividends declared per common share	\$ 0.38	\$ 0.36	\$ 0.33	\$ 0.31	\$ 0.28
Stockholders' equity	\$ 444,036	\$ 386,670	\$ 361,177	\$ 316,309	\$ 276,951
Common shares outstanding	48,367	48,997	48,778	45,998	44,814
Stockholders' equity per common share (4)	\$ 9.18	\$ 7.89	\$ 7.40	\$ 6.88	\$ 6.18
Working capital	\$ 243,957	\$ 215,070	\$ 229,542	\$ 224,199	\$ 184,279
Net operating cash flows from continuing operations	\$ 53,720	\$ 100,020	\$ 66,069	\$ 19,242	\$ 32,157
Current ratio	1.95	1.95	1.97	2.05	2.01
Long-term debt (less current portion)	\$ —	\$ —	\$ 942	\$ 36,811	\$ 28,903
Redeemable cumulative preferred stock	\$ —	\$ —	\$ —	\$ 6,400	\$ 6,400
Total assets	\$ 795,983	\$ 704,939	\$ 683,100	\$ 641,985	\$ 563,384
Assets held for sale	\$ —	\$ 32,136	\$ 41,362	\$ 37,283	\$ 32,162
Trade accounts receivable — net	\$ 287,906	\$ 296,634	\$ 336,512	\$ 325,799	\$ 268,812
Goodwill	\$ 201,866	\$ 164,009	\$ 109,292	\$ 105,308	\$ 101,292
Property, plant and equipment — net	\$ 30,123	\$ 35,846	\$ 42,425	\$ 40,149	\$ 34,681
Capital expenditures	\$ 11,621	\$ 7,345	\$ 16,667	\$ 18,327	\$ 19,097
Depreciation and intangible amortization	\$ 14,829	\$ 14,955	\$ 13,823	\$ 12,010	\$ 10,556

(1) Certain prior year amounts have been reclassified to conform to the current year presentation. The results from operations of the Company's Elevator segment, which was sold on August 15, 2003, have been classified as income from discontinued operation and the assets and liabilities have been classified as held for sale in the accompanying consolidated financial statements and this table.

(2) The World Trade Center represented the Company's largest worksite; its destruction has directly and indirectly impacted subsequent Company results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) In 2002, the Company adopted SFAS No. 142 under which goodwill is no longer amortized, but is subject to at least an annual assessment for impairment.

(4) Stockholders' equity per common share is calculated by dividing stockholders' equity at the end of the fiscal year by the number of shares of common stock outstanding at that date. This calculation may not be comparable to similarly titled measures reported by other companies.

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

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto contained in Item 8, "Financial Statements and Supplementary Data." All information in the discussion and references to the years are based on the Company's fiscal year that ends on October 31.

Overview

The Company provides janitorial, parking, engineering, security, lighting and mechanical services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities in the United States and British Columbia, Canada. The Company also provided elevator services until August 15, 2003, when it sold substantially all of the operating assets of its Elevator segment (see "Discontinued Operation"). The largest segment of the Company's business is Janitorial which generated over 60% of the Company's sales and other income from continuing operations (hereinafter called "sales") and over 64% of its operating profit before corporate expenses for fiscal 2003.

The Company's sales are substantially based on the performance of labor-intensive services at contractually specified prices. Janitorial and other maintenance service contracts are either fixed-price or "cost-plus" (*i.e.*, the customer agrees to reimburse the full amount of wages, payroll taxes, insurance charges and other expenses plus a profit percentage). The majority of the Company's contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days' written notice. In addition to services defined within the scope of the contract, the Company also generates sales from extra services where the customer might require additional cleaning or emergency repair services.

Sales have historically been the major source of cash for the Company while payroll expenses, which are directly related to sales, have been the largest use of cash. Hence operating cash flows significantly depend on the sales level and timing of collections, as well as the quality of the customer receivable. The timing and level of the payments to suppliers and other vendors, as well as the magnitude of self-insured claims, also affect operating cash flows. The Company's management views operating cash flows as a good indicator of financial strength. Strong operating cash flows provide opportunities for growth both internally and through acquisitions.

The Company faces many challenges that affect its sales and profitability. Recent results have been negatively influenced by declines in office building occupancy, weakness in airline travel and the hospitality industry and a slowdown in capital investment by customers. In the long run, achieving the desired levels of sales and profitability will depend on the Company's ability to retain more customers than it loses, at acceptable profit margins, in the face of competition, particularly from privately-owned companies that typically have the lower cost advantage.

Financial Condition

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. Additionally, the Company received a total of \$112.4 million in cash proceeds from the Elevator divestiture during 2003 (see "Discontinued Operation").

During 2003, 2002 and 2001, operating activities generated net cash of \$60.1 million, \$110.9 million and \$65.8 million, respectively. Cash from operations was higher in 2002 compared to 2003 and 2001 primarily due to greater collection of outstanding accounts receivable during 2002. In addition, cash from operations for the year ended October 31, 2002 included the receipt of two partial settlements totaling \$13.3 million in gross insurance proceeds related to the World Trade Center ("WTC") insurance claim.

Net cash provided by investing activities in 2003 was \$66.1 million, compared to net cash used in investing activities in 2002 and 2001 of \$59.3 million and \$27.0 million, respectively. The increase in net cash provided by investing activities in 2003 from 2002 was due to the \$112.4 million proceeds received from the Elevator divestiture during 2003 (see "Discontinued Operation"). Net cash used for the purchase of business in 2003 was \$40.6 million compared to \$52.4 million in 2002 of which \$36.9 million was used for the initial payment for the purchase of the operations of Lakeside Building Maintenance, Inc. and an affiliated company (collectively, "Lakeside") in July 2002, the largest acquisition ever made by the Company. The increase in cash used in investing activities in 2002 from 2001 primarily reflects the payment for the acquisition of

Lakeside in 2002 and the receipt of \$12.0 million of proceeds from the sale of Easterday Janitorial Supply Company (“Easterday,” see “Acquisitions and Divestitures”) in April 2001, offset by the decrease in capital expenditures in 2002 due to a larger investment in information technology in 2001.

Net cash used in financing activities was \$34.7 million in 2003, \$35.2 million in 2002 and \$37.7 million in 2001. The decrease in 2003 from 2002 was primarily due to no debt repayments in 2003 compared to \$11.8 million in 2002, offset by greater common stock purchases and lower common stock issuance in 2003. The slight decrease in net cash used in financing activities in 2002 from 2001 was primarily due to reduced debt repayments partially offset by common stock purchases in 2002.

On September 16, 2001, the Company’s Board of Directors authorized the purchase of up to 2.0 million shares of the Company’s outstanding common stock at any time through December 31, 2001, which authorization was later extended through January 31, 2003. As of October 31, 2002, the Company had purchased 1.4 million shares at a cost of \$23.6 million (an average price per share of \$16.88). In the three months ended January 31, 2003, the Company purchased the remaining 0.6 million shares at a cost of \$9.3 million (an average price per share of \$15.50).

On March 11, 2003, the Company’s Board of Directors authorized the purchase of up to 2.0 million additional shares of the Company’s outstanding common stock at any time through December 31, 2003. As of October 31, 2003, the Company purchased 1.4 million shares under this authorization at a cost of \$21.1 million (an average price per share of \$15.04) and 0.6 million shares were available for purchase.

On December 9, 2003, the Company’s Board of Directors authorized the purchase of up to 2.0 million additional shares of the Company’s outstanding common stock at any time through December 31, 2004.

In April 2003, the Company increased the amount of its syndicated line of credit, which will expire July 1, 2005, to \$250.0 million. As amended, no compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (“LIBOR”) plus a spread of 0.875% to 1.50% or, for overnight borrowings, at the prime rate plus a spread of 0.00% to 0.25% or, for overnight to one week, at the Interbank Offered Rate (“IBOR”) plus a spread of 0.875% to 1.50%. The spread for LIBOR, prime and IBOR borrowings is based on the Company’s leverage ratio. The facility calls for a commitment fee payable quarterly, in arrears, of 0.20%, as amended, based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company’s self-insurance program plus cash borrowings are considered to be outstanding amounts. As of October 31, 2003 and 2002, the total outstanding amounts under this facility were \$69.0 million and \$102.0 million, respectively, in the form of standby letters of credit. The decrease is due to the reduction of the use of standby letters of credit for certain self-insurance agreements, specifically in the State of California where the Company now participates in the state’s Self-Insurers’ Security Fund in lieu of standby letters of credit. The provisions of the credit facility require the Company to maintain certain financial ratios and limit outside borrowings. The Company was in compliance with all covenants as of October 31, 2003. The Company’s effective weighted average interest rate (excluding amortization of related fees) for all LIBOR, prime and IBOR borrowings for the year ended October 31, 2003 was 2.60%.

Working capital increased by \$28.9 million to \$244.0 million at October 31, 2003 from \$215.1 million at October 31, 2002 primarily due to the net impact of the Elevator divestiture during 2003 (see “Discontinued Operation”). The largest component of working capital consists of trade accounts receivable that totaled \$287.9 million at October 31, 2003, compared to \$296.6 million at October 31, 2002. These amounts were net of allowances for doubtful accounts of \$6.3 million and \$5.5 million at October 31, 2003 and October 31, 2002, respectively. As of October 31, 2003, accounts receivable that were over 90 days past due had decreased \$8.5 million to \$28.2 million (9.8% of the total net outstanding) from \$36.7 million (12.4% of the total net outstanding) at October 31, 2002.

The Company self-insures certain insurable risks such as general liability, automobile property damage, and workers’ compensation. Commercial umbrella policies are obtained to provide for \$150.0 million of coverage above the self-insured retention limits (*i.e.*, deductible). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from \$0.5 million to \$1.0 million. Effective April 14, 2003, the deductible for California workers’ compensation insurance increased to \$2.0 million per

occurrence due to general insurance market conditions. While the higher self-insured retention increases the Company's risk associated with workers' compensation liabilities, during the history of the Company's self-insurance program, few claims have exceeded \$1.0 million. The Company annually retains an outside actuary to review the adequacy of its self-insurance claim reserves. Based on the review completed in October 2003, the self-insurance reserves as of the end of 2003 were deemed adequate.

Insurance Claims Related to the Destruction of the World Trade Center in New York City on September 11, 2001

The Company had commercial insurance policies covering business interruption, property damage and other losses related to this tragic incident. As previously reported by the Company, the WTC complex in New York was the Company's largest single job-site with annual sales of approximately \$75.0 million (3% of the Company's consolidated sales for 2001). The Company provided its insurance carrier, Zurich Insurance ("Zurich"), claim information regarding the lost business income and, as described further below, substantially settled the property portion of the claim. As of October 31, 2002, Zurich had paid two partial settlements totaling \$13.3 million, of which \$10.0 million was for business interruption and \$3.3 million for property damage. The Company realized a pretax gain of \$10.0 million in 2002 on the proceeds received.

In December 2001, Zurich filed a Declaratory Judgment Action in the Southern District of New York claiming the loss of the business profit falls under the policy's contingent business interruption sub-limit of \$10.0 million. On June 2, 2003, the court ruled on certain summary judgment motions in favor of Zurich. Subsequent to the June ruling, additional rulings by the court have limited the Company's recourse under the policy to the amounts paid plus additional amounts related to physical property of the Company located on the WTC premises and certain accounts receivable from customers that could not be collected. Based on a review of the policy and consultation with legal counsel and other specialists, the Company continues to believe that its business interruption claim does not fall under the \$10.0 million sub-limit on contingent business interruption and that the Company's losses under its WTC contracts are eligible for additional business interruption coverage up to the policy maximum of \$124.0 million. Therefore, the Company is appealing the court's rulings.

Under the guidance published by the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") "Accounting for the Impact of the Terrorist Attacks of September 11, 2001," the Company has not recognized future amounts it expects to recover from its business interruption insurance as income. Any gain from insurance proceeds is considered a contingent gain and, under Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," can only be recognized as income in the period when any and all contingencies for that portion of the insurance claim have been resolved.

Off-Balance Sheet Arrangements

As of October 31, 2003, the Company does not have any off-balance sheet arrangements as defined by Item 303(a)(4) of the Securities and Exchange Commission Regulation S-K.

Effect of Inflation and Energy Crisis

The low rates of inflation experienced in recent years have had no material impact on the financial statements of the Company. The Company attempts to recover increased costs by increasing sales prices to the extent permitted by contracts and competition.

The energy crisis in the State of California has not had a material impact on the Company.

Contractual Obligations, Commercial Commitments and Other Long-Term Liabilities

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements for various facilities, vehicles, and other equipment. As of October 31, 2003, future contractual payments were as follows:

(in thousands)	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Contractual Obligations					
Operating Leases	\$195,454	\$44,042	\$59,010	\$32,528	\$59,874

Additionally, the Company has the following commercial commitments and other long-term liabilities:

(in thousands)	Amounts of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Commercial Commitments					
Standby Letters of Credit	\$69,018	\$69,018	—	—	—
Financial Responsibility Bonds	4,211	4,211	—	—	—
Total	\$73,229	\$73,229	—	—	—

(in thousands)	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Other Long-Term Liabilities					
Retirement Plans	\$40,515	\$2,212	\$4,301	\$4,831	\$29,171

Although a portion of insurance claims is classified as long-term liabilities, insurance claims are not included in the above table as they are not contractual obligations.

Acquisitions and Divestitures

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition and acquisitions made in 2003 are discussed in Note 9 of Notes to Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data." Acquisitions made during the three years ended October 31, 2003 contributed approximately \$334.6 million (14.8%) to 2003 sales.

On April 30, 2001, the Company sold Easterday for \$12.0 million and realized a pretax gain of \$0.7 million. Prior to its sale, Easterday's operating results were included in "Other" segment.

On August 15, 2003, ABM sold substantially all of the operating assets of Amtech Elevator, which represented the Company's Elevator segment, to Otis Elevator. The consideration in connection with the sale included \$112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. The Company realized a gain on the sale of \$51.5 million, net of \$31.9 million of income taxes. See "Discontinued Operation."

Results of Continuing Operations

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 became effective in fiscal years beginning after December 15, 2001, with early adoption permitted. The Company adopted the provisions of SFAS No. 142 beginning with the first quarter of 2002. In accordance with this standard, goodwill is no longer amortized, but is subject to an annual assessment for impairment. The Company is required to perform goodwill impairment tests on an annual basis and, in certain circumstances, between annual tests. As of October 31, 2003, no impairment of the Company's goodwill carrying value has been indicated. For comparative purposes, goodwill amortization has been segregated from the operating profits of the segments for the year ended October 31, 2001 and reported separately.

In January 2002, the EITF released Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," which the Company adopted in fiscal 2002. For the Company's Parking segment this pronouncement requires both revenues and expenses be recognized, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Previously, expenses directly reimbursed under managed parking lot agreements were netted against the reimbursement received. EITF No. 01-14 did not change the income statement presentation of revenues and expenses of any other segments and had no impact on the Company's operating profits or net income. Parking sales related solely to the reimbursement of expenses totaled \$215.3 million, \$203.8 million and \$199.1 million for years ended October 31, 2003, 2002 and 2001, respectively.

COMPARISON OF 2003 TO 2002 — CONTINUING OPERATIONS

Years ended October 31 (\$ in thousands)	2003	% of Sales	2002	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	\$2,262,476	100.0%	\$2,068,058	100.0%	9.4%
Gain on insurance claim	—		10,025		—
	2,262,476		2,078,083		8.9%
Expenses					
Operating expenses and cost of goods sold	2,035,731	90.0%	1,855,980	89.7%	9.7%
Selling, general and administrative	171,135	7.6%	156,042	7.5%	9.7%
Interest	758	0.0%	1,052	0.1%	(27.9)%
	2,207,624	97.6%	2,013,074	97.3%	9.7%
Income from continuing operations before income taxes	54,852	2.4%	65,009	3.1%	(15.6)%
Income taxes	18,454	0.8%	20,951	1.0%	(11.9)%
Income from continuing operations	\$ 36,398	1.6%	\$ 44,058	2.1%	(17.4)%

Income From Continuing Operations. Income from continuing operations in 2003 was \$36.4 million (\$0.73 per diluted share), a decrease of \$7.7 million or 17.4% from \$44.1 million (\$0.86 per diluted share) in 2002. A number of items affected the comparability of the fiscal years. Fiscal 2002 results benefited from a \$10.0 million pretax gain (\$6.3 million after-tax, \$0.12 per diluted share) from the receipt of two partial settlements totaling \$13.3 million from the WTC insurance claim, and \$2.0 million of income tax benefit (\$0.04 per diluted share) from the adjustment of prior-year estimated tax liabilities, partially offset by \$3.2 million of costs (\$2.0 million after-tax, \$0.04 per diluted share) associated with senior management changes. Fiscal 2003 results included \$9.6 million (\$6.0 million after-tax, \$0.12 per diluted share) of higher operating profits contributed by acquisitions that did not significantly impact results until after July 31, 2002. However, the positive impact of the acquisitions on fiscal 2003 results was more than offset by declines in operating profits in 2003 from Janitorial, primarily in the Northeast and Northwest regions, as well as Lighting and Parking, see "Segment Information".

Sales. Sales in 2003 of \$2,262.5 million increased by \$194.4 million or 9.4% from \$2,068.1 million in 2002. Acquisitions that did not significantly impact results until after July 31, 2002 contributed \$182.0 million to the sales increase, primarily Lakeside acquired on July 12, 2002, the commercial self-performed janitorial cleaning operations of Horizon National Commercial Services ("Horizon") acquired on January 31, 2003, Valet Parking Services ("Valet") acquired on April 30, 2003, and HGO Services ("HGO") acquired on August 29, 2003. The remainder of the increase was attributable to new business, partially offset by the impact of contract terminations and declines in sales due to increased vacancies and decreased project work and extra services as customers tightened their budgets.

Operating Expenses and Cost of Goods Sold. As a percentage of sales, operating expenses and cost of goods sold were 90.0% for 2003, compared to 89.7% for 2002. Consequently, as a percentage of sales, the Company's gross profit of 10.0% in 2003 was lower than the gross profit of 10.3% in 2002. The decline was due primarily to lower margins on new business, delays in planned terminations of unprofitable contracts in the Northeast region of Janitorial, a decline in sales from higher margin business due to increased vacancies in commercial office buildings, and higher reimbursements for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit. Additionally, operating expenses for 2003 included higher insurance costs that could not be fully offset by price increases.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for 2003 were \$171.1 million compared to \$156.0 million for 2002. The \$15.1 million increase included \$12.6 million additional expenses contributed by acquisitions that did not impact results until after July 31, 2002, higher insurance costs, and annual salary increases. Additionally, corporate expenses in 2003 included higher directors and officers' insurance costs and professional fees. However, 2002 also reflected a total of \$7.0 million of charges including \$3.2 million of costs associated with the elimination of the Chief Administrative Officer position, the early retirement of the former Corporate General Counsel, the replacement of the President of Facility Services, as well as \$3.8 million higher bad debt provision in 2002 than in 2003. As a percentage of sales, selling, general and administrative expenses were 7.6% in 2003, compared to 7.5% in 2002.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was \$0.8 million in 2003 compared to \$1.1 million in 2002. The decrease was primarily due to lower borrowings and interest rates during 2003, compared to 2002.

Income Taxes. The effective federal and state income tax rate for income from continuing operations was 33.6% for 2003, compared to 32.2% for 2002. Income tax provision for continuing operations for 2002 included a tax benefit of \$2.0 million principally from tax liability adjustments made after the filing of the 2001 income tax returns, while 2003 included \$0.7 million of tax benefit from the filing of the 2002 state and federal tax returns and \$0.2 million of income tax refund from filing prior years' amended returns.

Segment Information

Under SFAS No. 131 criteria, Janitorial, Parking, Engineering, Security, and Lighting are reportable segments. The operating results of the former Elevator segment are reported separately under discontinued operation and are excluded from the table below, see "Discontinued Operation." All other services are included in the "Other" segment. Corporate expenses are not allocated.

(\$ in thousands)	Years ended October 31,		Increase (Decrease)
	2003	2002	
Sales and other income:			
Janitorial	\$1,368,282	\$1,197,035	14.3%
Parking	380,576	363,511	4.7%
Engineering	180,230	173,561	3.8%
Security	159,670	140,569	13.6%
Lighting	127,539	130,858	(2.5)%
Other	45,394	61,963	(26.7)%
Corporate	785	561	39.9%
	\$2,262,476	\$2,068,058	9.4%
Operating profit (loss):			
Janitorial	\$ 53,487	\$ 54,337	(1.6)%
Parking	6,349	6,948	(8.6)%
Engineering	9,925	10,033	(1.1)%
Security	6,485	5,639	15.0%
Lighting	5,646	8,261	(31.7)%
Other	1,337	(1,190)	N/A
Corporate expense	(27,619)	(27,992)	(1.3)%
Operating profit	55,610	56,036	(0.8)%
Gain on insurance claim	—	10,025	N/A
Interest expense	(758)	(1,052)	(27.9)%
Income from continuing operations before income taxes	\$ 54,852	\$ 65,009	(15.6)%

Janitorial. Sales for Janitorial were \$171.2 million or 14.3% higher in 2003 than in 2002, primarily due to the \$172.8 million contribution from Lakeside, Horizon and HGO. These gains in sales were substantially offset by the termination of unprofitable jobs in the Northeast and Southeast regions, the termination of a major contract due to collection issues in the Northwest region, and declines in sales from existing contracts due to increased vacancies and decreased extra services as customers tightened their budgets. In addition, sales for 2002 included \$1.0 million of interest on receivables from the resolution of past-due balances with two customers.

Operating profits in 2003 were \$0.9 million or 1.6% lower than in 2002 primarily due to the \$7.7 million and \$2.5 million decline in operating profits in the Northeast and Northwest regions, respectively, which was partially offset by \$8.8 million of operating profit improvement from Lakeside, Horizon and HGO.

The decline in operating profits in the Northeast region of Janitorial, especially in New York City, was primarily due to new business priced at lower margins as a result of competitive pressures and a decline in sales from higher margin business due to increased vacancies. The benefit of terminating some unprofitable contracts has been offset by customer cancellations of some profitable service contracts. Further, first quarter 2002 results for New York City operations benefited from the extra clean-up work performed following the September 11th attacks. The region's operating profits in 2003 were impacted by legal fees associated with a lawsuit related to the collection of a past-due accounts receivable from a large former customer and costs associated with implementing management changes in this region.

The decline in operating profits in the Northwest region of Janitorial was due to the loss of a major contract, reduced revenues from existing contracts and higher legal fees primarily due to a gender discrimination lawsuit filed against ABM by a former employee in September 1999 in the State of Washington. ABM has not recorded any liability in its financial statements associated with the damages and costs awarded to the former employee. However, as of October 31, 2003, ABM has incurred and recorded legal fees of \$0.1 million associated with the appeal. See Item 3, "Legal Proceedings."

Parking. Parking sales increased by \$17.1 million or 4.7%, while operating profits decreased by \$0.6 million or 8.6% during 2003 compared to 2002. The sales increase included \$11.5 million of higher reimbursements for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit, sales from the Valet acquisition, and the receipt of a \$1.1 million settlement for prior period services performed related to a managed parking lot contract in Houston, Texas. These sales increases were partially offset by declines in sales from the hi-tech sectors of

San Francisco and Seattle where the economic downturn resulted in high office building vacancies, the loss of a major contract in Seattle, and the declines in sales at airport and hotel facilities. The decrease in operating profits was primarily due to increased insurance costs, including self-insured reserve amounts, which could not be fully offset by price increases, and the adverse effect of the military conflict in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS") on parking at airport and hotel facilities, as well as a provision of \$1.0 million for parking sales taxes for prior years based on a pending sales tax audit. Additionally, operating profit for 2002 included a \$0.5 million gain on the early termination of a parking lease.

Engineering. Engineering sales increased \$6.7 million or 3.8% during 2003 compared to 2002 primarily due to new business, offset in part by a \$7.0 million decline in sales from existing large customers that have reduced their spending. Operating profits decreased by \$0.1 million or 1.1% from 2002 to 2003 primarily due to settlements of disputed amounts with two customers totaling \$0.5 million, a settlement with a competing firm on a bid-related issue requiring payment while the customer contract is in force, and consulting costs associated with a study to assist Engineering to expand into new markets and broaden the scope of its services.

Security. Security sales increased \$19.1 million or 13.6% for 2003 compared to 2002 primarily due to an increase of \$9.5 million in the sales contributed by the operations acquired from Triumph Security Corporation ("Triumph") in New York City on January 26, 2002 and Foulke Associates, Inc. ("Foulke"), located throughout Georgia, Florida, Maryland, Pennsylvania and Virginia, on February 28, 2002. In addition, the award of a national contract from a Real Estate Investment Trust ("REIT") added \$8.4 million in sales for 2003. Operating profits increased by \$0.8 million or 15.0% due to increased sales and tight control over operating expenses, partially offset by start-up costs incurred in 2003 related to the new contract with the REIT.

Lighting. Lighting sales decreased \$3.3 million or 2.5% and operating profits decreased \$2.6 million or 31.7% during 2003 compared to 2002. The decrease in sales, particularly in the Northeast and North Central regions, was primarily due to significantly less retrofit projects in 2003 compared to 2002 and the termination of several national service contracts during 2003. Lighting's customers, especially retailers, significantly reduced their capital budgets and spent less on energy saving initiatives in 2003. The decline in operating profits was primarily due to lower sales and higher selling, general and administrative expenses, partially offset by a \$0.3 million gain recognized in the first quarter of 2003 related to the early termination of a contract. The Northeast and North Central regions hired additional managers in several branches and incurred higher labor-related costs due to training and management duplication during the transition.

Other. Sales for the Other segment were down \$16.6 million or 26.7% in 2003 compared to 2002. The lower sales in 2003 were primarily due to decreased capital project work as customers tightened their budgets and Facility Services' loss of the Consolidated Freightways account due to bankruptcy in September 2002. The Other segment produced a profit of \$1.3 million in 2003 compared to a loss of \$1.2 million in 2002. Operating loss in 2002 included a \$1.2 million write-down of work-in-progress in Mechanical, a \$1.3 million bad debt provision in Facility Services for the Consolidated Freightways account, as well as \$0.4 million in costs associated with the replacement of the President of Facility Services.

Corporate. Corporate expenses for 2003 were down \$0.4 million from 2002. However, 2002 included \$2.8 million of costs associated with the elimination of the Chief Administrative Officer position and the early retirement of the former General Counsel. Corporate expenses for 2003 reflected a \$1.1 million increase in premiums paid for directors and officers' liability insurance (from \$0.3 million in 2002 to \$1.4 million in 2003), as well as higher professional fees related to the due diligence performed for a proposed acquisition that was not completed, Sarbanes-Oxley compliance, and additional use of outside legal counsel while in the process of recruiting a new General Counsel. The new General Counsel was hired on May 1, 2003.

COMPARISON OF 2002 TO 2001 — CONTINUING OPERATIONS

Years ended October 31 (\$ in thousands)	2002	% of Sales	2001	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	\$2,068,058	100.0%	\$2,027,800	100.0%	2.0%
Gain on insurance claim	10,025		—		—
	2,078,083		2,027,800		2.5%
Expenses					
Operating expenses and cost of goods sold	1,855,980	89.7%	1,820,081	89.8%	2.0%
Selling, general and administrative	156,042	7.5%	144,927	7.1%	7.7%
Interest	1,052	0.1%	2,600	0.1%	(59.5)%
Goodwill amortization	—	—	12,065	0.6%	—
	2,013,074	97.3%	1,979,673	97.6%	1.7%
Income from continuing operations before income taxes	65,009	3.1%	48,127	2.4%	35.1%
Income taxes	20,951	1.0%	18,259	0.9%	14.7%
Income from continuing operations	\$ 44,058	2.1%	\$ 29,868	1.5%	47.5%

Income From Continuing Operations. Income from continuing operations for 2002 was \$44.1 million (\$0.86 per diluted share), an increase of 47.5% from the income from continuing operations of \$29.9 million (\$0.59 per diluted share) for 2001.

The results for 2002 included a \$10.0 million pretax gain from the receipt of two partial settlements from Zurich totaling \$13.3 million related to the WTC; the impact of new acquisitions, primarily Lakeside in July 2002, which contributed \$3.5 million of operating profit in 2002; a \$2.0 million income tax benefit from the adjustment of prior year estimated tax liabilities; and a \$1.4 million tax benefit from a lower income tax rate. The results for 2002 were adversely impacted by a \$3.2 million pretax provision for costs associated with the elimination of the Chief Administrative Officer position, the early retirement of the former Corporate General Counsel and the replacement of the President of Facility Services; and a \$3.2 million pretax increase in operating expenses in New York City as a result of the WTC related increase in seniority-based payroll and unemployment insurance costs at other job-sites in New York City. Additionally, the bad debt expense for 2002 was \$5.0 million higher than 2001, primarily due to increased bankruptcies. Lastly, the business lost at the WTC had higher profit margins than those obtained on new business.

Results for 2001 included a \$20.0 million pretax insurance charge; \$12.1 million of pretax goodwill amortization expense; and a pretax gain of \$0.7 million from the divestiture of Easterday. Additionally, for the fiscal year ended October 31, 2001, the Company realized pretax income of \$8.4 million on revenue of \$71.0 million from the WTC and adjacent facilities.

Sales. Sales for 2002 of \$2,068.1 million increased by 2.0% compared to \$2,027.8 million for 2001 despite the loss of the WTC and the sale of Easterday. Easterday contributed \$16.0 million to sales for the first six months of 2001. Offsetting the absence of the WTC and Easterday sales in 2002 were sales from the newly acquired operations of Lakeside in the Midwest and other new business, primarily in Security. Sales generated from acquisitions during 2001 contributed \$10.8 million of the 2002 increase, while 2002 acquisitions added \$69.8 million. Also included in sales for 2002 was \$1.0 million of interest income from the resolution of past due balances with two janitorial customers and \$0.5 million of pretax gain from the early termination of a lease at Parking.

Operating Expenses and Cost of Goods Sold. As a percentage of sales, operating expenses and cost of goods sold was 89.7% for 2002, compared to 89.8% for 2001. Consequently, as a percentage of sales, the Company's gross profit of 10.3% in 2002 was higher than the gross profit of 10.2% in 2001. Operating expenses and cost of goods sold for fiscal 2002 included a \$1.2 million pretax write-down of work-in-progress.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were \$156.0 million in 2002, an increase of 7.7% from \$144.9 million in 2001. The increase in selling, general and administrative expenses was primarily due to the \$3.2 million costs associated with the above-mentioned personnel changes, \$5.0 million of higher bad debt expense due to increased bankruptcies, and \$1.0 million of professional expenses associated with the WTC insurance claim. Accordingly, as a percentage of sales, selling, general and administrative expenses increased to 7.5% in 2002 from 7.1% in 2001.

Interest Expense. Interest expense was \$1.1 million in 2002 compared to \$2.6 million for 2001, a decrease of \$1.5 million. This decrease was primarily due to lower weighted average borrowings and lower interest rates in 2002.

Income Taxes. The effective tax rate for income from continuing operations for 2002 was 32.2%, compared to 37.9% for 2001. The decline was primarily due to a \$2.0 million benefit from the adjustment of the prior year's estimated tax liabilities

and \$1.4 million of benefit from the reduction in the state tax rate and non-deductible expenses.

Segment Information

Under SFAS No. 131 criteria, all services other than Janitorial, Parking, Engineering, Security, and Lighting are included in the "Other" segment, including Easterday, prior to its sale on April 29, 2001. The operating results of the former Elevator segment are reported separately under discontinued operation and are excluded from the table below, see "Discontinued Operation." Corporate expenses are not allocated. Goodwill amortization has been segregated from the operating profits of the segments for 2001 and reported separately to provide a comparable analysis.

(\$ in thousands)	Years ended October 31,		Increase (Decrease)
	2002	2001	
Sales and other income:			
Janitorial	\$1,197,035	\$1,159,914	3.2%
Parking	363,511	365,073	(0.4)%
Engineering	173,561	171,008	1.5%
Security	140,569	103,980	35.2%
Lighting	130,858	144,319	(9.3)%
Other	61,963	82,188	(24.6)%
Corporate	561	1,318	(57.4)%
	\$2,068,058	\$2,027,800	2.0%
Operating profit (loss):			
Janitorial	\$ 54,337	\$ 67,590	(19.6)%
Parking	6,948	6,619	5.0%
Engineering	10,033	9,404	6.7%
Security	5,639	3,174	77.7%
Lighting	8,261	11,983	(31.1)%
Other	(1,190)	5,280	N/A
Corporate expense	(27,992)	(41,258)	(32.2)%
Goodwill amortization	—	(12,065)	N/A
Operating profit	56,036	50,727	10.5%
Gain on insurance claim	10,025	—	N/A
Interest expense	(1,052)	(2,600)	(59.5)%
Income from continuing operations before income taxes	\$ 65,009	\$ 48,127	35.1%

Janitorial. Janitorial reported sales for 2002 of \$1,197.0 million, an increase of 3.2% from 2001. Sales included \$1.0 million of interest on receivables from the resolution of past due balances with two customers. Janitorial accounted for nearly 58% of the Company's consolidated sales in 2002. Janitorial sales increased primarily due to the impact of new acquisitions partially offset by the loss of the WTC. Sales generated from acquisitions during 2001 contributed \$14.2 million of the 2002 increase, while the 2002 acquisitions added a total of \$53.4 million, of which \$51.6 million was contributed by Lakeside. Operating profits decreased 19.6% in 2002 to \$54.3 million as compared to 2001 due to the loss of the WTC, and \$3.2 million of pretax increase in operating expenses in New York City as a result of the WTC related increase in seniority-based payroll and unemployment insurance costs which could not be offset by price increases. Furthermore, bad debt expense increased to \$6.3 million in 2002 compared to \$2.1 million in 2001 due to increased bankruptcies.

Parking. Parking sales decreased by 0.4% to \$363.5 million in 2002, while its operating profits increased 5.0% to \$6.9 million in 2002 compared to 2001. The decrease in sales was due to the loss of an airport contract and the continuing effects of the terrorist attacks of September 11, 2001 on sales at airport and hotel facilities, partially offset by sales from new parking contracts. The increase in operating profits resulted from higher margins on new parking contracts, discontinuation of unprofitable contracts and a \$0.5 million gain on the early termination of a parking lease, which more than offset increased insurance costs that could not be fully offset by price increases.

Engineering. Sales for Engineering increased 1.5% to \$173.6 million in 2002 compared to 2001, due to an increased customer base in all regions and, in the second quarter of 2002, the resolution of disputed additional work performed for the Port Authority of New York. This was partially offset by the absence of the WTC contract. Operating profits increased 6.7% to \$10.0 million from 2001 to 2002, due to increased business and improved profit margins.

Security. Security sales increased 35.2% to \$140.6 million due to the acquisitions of Sundown Security in June 2001, Triumph in January 2002, and Foulke in February 2002, as well as the addition of several large customer accounts. Sales generated by extra services were also higher due to heightened security concerns after the terrorist attacks on September 11, 2001. Operating profits increased 77.7% to \$5.6 million in 2002 compared to fiscal year 2001 primarily due to increased sales and lower costs due to tighter control over labor and operating expenses.

Lighting. Lighting reported a 9.3% decrease in sales to \$130.9 million for 2002 compared to 2001, and a decrease in operating profits by 31.1% to \$8.3 million in 2002. The decrease in sales and profits was primarily due to decreased business in the Southeast and Southwest regions, mostly related to non-recurring energy conservation projects in 2001, and the loss of sales and profits from the WTC.

Other. Sales for the Other segment, which included Easterday prior to its sale on April 29, 2001, were down 24.6% to \$62.0 million in 2002 compared

to 2001, and the segment contributed a loss of \$1.2 million in 2002 compared to a profit of \$5.3 million in 2001. The loss was primarily due to fewer Mechanical and Facilities Services projects, a write-down of work-in-progress and an additional bad debt provision totaling approximately \$1.7 million in Mechanical, a \$1.3 million bad debt provision in Facility Services related to the bankruptcy of Consolidated Freightways in September of 2002, as well as \$0.4 million in costs associated with the replacement of the President of Facility Services. Included in the results for 2001 was the pretax gain of \$0.7 million from the sale of Easterday in the second quarter of 2001. Easterday's sales price of \$12.0 million represented a \$3.7 million premium over the book value of the net assets sold. The pre-tax gain was net of Easterday-specific insurance expenses of \$1.3 million, reserves for sale contingencies (including the guarantee of sold receivables and expenses of winding-up Easterday operations) of \$1.0 million, write-offs of intangible assets of \$0.3 million, and second quarter operating losses of \$0.4 million.

Corporate. Corporate expenses for 2002 included a \$2.8 million pretax provision for costs associated with the elimination of the Chief Administrative Officer position and the early retirement of the former Corporate General Counsel, and \$1.0 million of professional fees related to the WTC insurance claim. Included in 2001 was \$20.0 million of pretax insurance charge to strengthen the Company's self-insurance reserves, reflecting the results of the annual independent actuarial review completed in December 2001. While virtually all insurance claims arise from the operating segments, this adjustment is included in unallocated corporate expenses. Had the Company allocated the insurance charge among the segments, the reported pre-tax operating profits of the segments, as a whole, would have been reduced by \$20.0 million, with an equal and offsetting change to unallocated corporate expenses and therefore no change to consolidated pre-tax earnings. Based on the annual actuarial review completed in November 2002, the self-insurance reserves as of the end of 2002 were deemed adequate.

Discontinued Operation

On August 15, 2003, ABM completed the sale of substantially all of the operating assets of Amtech Elevator to Otis Elevator. The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in connection with the sale included \$112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. The Company realized a gain on the sale of \$51.5 million, net of \$31.9 million of income taxes. See Note 10 of Notes to Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data."

The assets and liabilities of the Elevator segment have been segregated and classified as held for sale and the operating results and cash flows have been reported as discontinued operation in the accompanying consolidated financial statements. Income taxes have been allocated using the estimated combined federal and state tax rates applicable to Elevator for each of the periods presented. The prior periods presented have been reclassified.

The operating results of the discontinued operation for fiscal 2003, 2002 and 2001 are shown below. Fiscal 2003 includes operating results for the period beginning November 1, 2002 through the date of sale, August 15, 2003.

(in thousands)	2003	2002	2001
Revenues	\$88,147	\$113,874	\$121,371
Income before income taxes	4,142	4,319	4,818
Income taxes	1,582	1,649	1,860
Net income	\$ 2,560	\$ 2,670	\$ 2,958

Recent Accounting Pronouncements

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, or other exit or disposal activity. SFAS No. 146 replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material effect on the consolidated financial statements of the Company.

In November 2002, FASB issued Financial Interpretation No. (FIN) 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

FIN 45 requires that upon issuance of a guarantee, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guarantee. The initial recognition and measurement requirement of FIN 45 is effective for guarantees issued or modified after December 31, 2002 while the disclosure requirements are effective for interim and annual periods ending after December 15, 2002. At October 31, 2003, the Company had made no guarantees subject to FIN 45.

In November 2002, the EITF issued a final consensus on EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor." EITF Issue No. 02-16 provides accounting guidance on how a customer (end-user) and a reseller should characterize certain consideration received from a vendor (such as a rebate) and when to recognize and how to measure that consideration in its income statement. EITF Issue No. 02-16 is effective for fiscal periods beginning after December 15, 2002 for resellers, with early application permitted, while for customers it is effective prospectively for arrangements entered into after November 21, 2002. The Company, as a reseller of certain supplies and equipment, has adopted the provisions of EITF Issue No. 02-16. The adoption had no material effect on the Company's results of operations or financial condition.

In January 2003, FASB issued FIN 46, "Consolidation of Variable Interest Entities," an interpretation of Accounting Research Bulletin No. 51. FIN 46 addresses the consolidation by business enterprises of variable interest entities as defined in the interpretation. FIN 46 applied immediately to variable interests in variable interest entities created after January 31, 2003; and for the first fiscal year or interim period beginning after June 15, 2003 for variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Analysis of the Company's interest in variable interest entities at October 31, 2003 indicates that no consolidation will be required. The application of FIN 46 had no material effect on the Company's results of operations or financial condition.

In May 2003, the EITF released Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides accounting guidance on when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted the provisions of EITF Issue No. 00-21 effective in the fourth quarter of 2003. The Company's Lighting segment earns revenues under service contracts that have multiple deliverables including initial services of relamping or retrofitting and future services of periodic maintenance. Lighting's multiple deliverable contracts do not meet the criteria for treating the deliverables as separate units of accounting, hence the revenues and costs associated with the initial services are deferred and amortized over the service period on a straight-line basis. This is consistent with the revenue recognition methodology used by Lighting prior to the adoption of EITF Issue No. 00-21. Therefore, the adoption had no material effect on the Company's results of operations or financial condition.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, valuation allowance for the net deferred income tax asset, contingencies and litigation liabilities. The Company bases its estimates on historical experience, independent valuations and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Self-Insurance Reserves: Certain insurable risks such as general liability, automobile property damage and workers' compensation are self-insured by the Company. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis. The Company uses an independent actuarial firm to annually evaluate and estimate the range of the Company's claim costs and liabilities. The Company accrues the minimum amount of the actuarial range of exposure. Using the annual actuarial report, management develops annual insur-

ance costs for each operation, expressed as a rate per \$100 of exposure (labor and revenue) to estimate insurance costs on a quarterly basis. Additionally, management monitors new claims and claim development to assess the adequacy of the insurance reserves. The estimated future charge is intended to reflect the recent experience and trends. If the frequency or severity of claims incurred were to increase, the Company might be required to record additional expenses for self-insurance liabilities.

Allowance for Doubtful Accounts: The Company's accounts receivable arise from services provided to its customers and are generally due and payable on terms varying from the receipt of invoice to net thirty days. The Company estimates an allowance for accounts it does not consider collectible. Changes in the financial condition of the customer or adverse development in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance.

Deferred Income Tax Asset Valuation Allowance: Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. If management determines it is more likely than not that the net deferred tax asset will be realized, no valuation allowance is recorded. At October 31, 2003, the net deferred tax asset was \$68.8 million and no valuation allowance was recorded. Should future income be less than anticipated, the net deferred tax asset may not be fully recoverable.

Contingencies and Litigation: ABM and certain of its subsidiaries have been named defendants in certain litigations arising in the ordinary course of business including certain environmental matters. When a loss is probable and estimable the Company records the estimated loss. The actual loss may be greater than estimated, or litigation where the outcome was not considered probable might result in a loss.

Factors That May Affect Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

The disclosure and analysis in this Annual Report on Form 10-K contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, the Company also provides forward-looking statements in other written materials released to the public as well as oral forward-looking statements. Such statements give the Company's current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Management tries, wherever possible, to identify such statements by using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," and similar expressions. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, and the outcome of contingencies and other uncertainties, such as legal proceedings, and financial results.

Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. Investors should bear this in mind as they evaluate forward-looking statements.

The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any future disclosures the Company makes on related subjects in its Form 10-Q and Form 8-K reports to the Securities and Exchange Commission. Set forth below are factors that the Company thinks, individually or in the aggregate, could cause the Company's actual results to differ materially from past results or those anticipated, estimated or projected. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. The public should understand that it is not possible to predict or identify all such factors. Consequently, the following should not be considered to be a complete discussion of all potential risks or uncertainties.

A further decline in commercial office building occupancy and rental rates could affect the Company's sales and profitability. The Company's sales directly depend on commercial real estate occupancy levels and the rental income of building owners. Decreases in these levels reduce demand and also create pricing pressures on building maintenance and other services provided by the Company. In certain geographic areas and service segments, the Company's most profitable work includes jobs performed for tenants in buildings in which it performs building services for the property owner or management company. A decline in occupancy rates can result in a decline in fees paid by landlords as well as tenant work which will lower sales and

margins. In addition, in those areas of its business where the Company's workers are unionized, decreases in sales can be accompanied by relative increases in labor costs if the Company is obligated by collective bargaining agreements to retain workers with seniority and consequently higher compensation levels.

An increase in costs that the Company cannot pass on to customers could affect profitability. The Company attempts to negotiate contracts under which its customers agree to pay for increases in certain underlying costs associated with providing its services, particularly labor costs, workers' compensation and other insurance costs, and any applicable payroll taxes. If the Company cannot pass through increases in its costs to its customers under its contracts in a timely manner or at all, then the Company's expenses will increase without a corresponding increase in sales. Further, if the Company's sales decline, the Company may not be able to reduce its expenses correspondingly or at all.

The financial difficulties or bankruptcy of one or more of the Company's major customers could adversely affect results. The Company's ability to collect its accounts receivable and future sales depend, in part, on the financial strength of its customers. The Company estimates an allowance for accounts it does not consider collectible and this allowance adversely impacts profitability. In the event customers experience financial difficulty, and particularly if bankruptcy results, profitability is further impacted by the Company's failure to collect accounts receivable in excess of the estimated allowance. Additionally, the Company's future sales would be reduced.

The Company could experience major collective bargaining disputes that would lead to the loss of sales or expense increases. Approximately 44% of the Company's employees are subject to collective bargaining agreements at the local level. When one or more of the collective bargaining agreements are subject to renegotiation, the Company and the union may not agree on terms, which could result in a strike, work slow down or other job action at one or more of the Company's locations, which could disrupt the Company in providing its service. Alternatively, the result of renegotiating a collective bargaining agreement could be a substantial increase in labor and benefits expenses that the Company could be unable to pass through to its customers for some period of time. In addition, the Company's non-union competitors may attempt to use any disputes that the Company has with its unions to the competitors' advantage in gaining market share.

The Company is subject to intense competition. The Company believes that each aspect of its business is highly competitive, and that such competition is based primarily on price and quality of service. The Company provides nearly all its services under contracts originally obtained through competitive bidding. The low cost of entry to the facilities services business has led to strongly competitive markets made up of large numbers of mostly regional and local owner-operated companies, located in major cities throughout the United States and in British Columbia, Canada (with particularly intense competition in its janitorial business in the Southeast and South Central regions of the United States). The Company also competes with the operating divisions of a few large, diversified facility service and manufacturing companies on a national basis. Indirectly, the Company competes with building owners and tenants that perform internally one or more of the services provided by the Company. These building owners and tenants might have a competitive advantage when the Company's services are subject to sales tax and internal operations are not. Furthermore, competitors may have lower costs because privately-owned companies operating in a limited geographic area may have significantly lower labor and overhead costs. These strong competitive pressures could inhibit the Company's success in bidding for profitable business and its ability to increase prices even as costs rise, thereby reducing margins.

The Company's success depends on its ability to preserve its long-term relationships with its customers. The Company's contracts with its customers are generally cancelable upon relatively short notice. However, the work associated with long-term relationships is generally more profitable than that from short-term relationships because the Company incurs initial costs with many new contracts, particularly for training, operating equipment and uniforms. Once these costs are expensed or fully depreciated over the appropriate periods, the underlying contracts become more profitable. Therefore, the Company's loss of long-term customers could have an adverse impact on its profitability even if the Company generates equivalent sales from new customers.

Weakness in airline travel and the hospitality industry could adversely impact the Company's Parking results. A significant portion of the Company's parking sales is tied to the numbers of

airline passengers and hotel guests. Parking results were adversely affected after the terrorist attacks of September 11, 2001, during the SARS crisis and at the start of the military conflict in Iraq as people curtailed both business and personal travel and hotel occupancy rates declined. As airport security precautions expanded, the decline in travel was particularly noticeable at airports associated with shorter flights for which ground transportation became the alternative. While it appears that airline travel and the hospitality industry are now recovering there can be no assurance that airline travel will reach previous levels or increased concerns about terrorism, disease, or other adversities will not again reduce travel.

A continued slowdown in capital investments by customers could negatively impact the project sales of the Lighting and Mechanical segments. While the economy appears to be recovering in recent months, the commercial office building and retail sectors have been slow to make capital expenditures for lighting and mechanical projects. While we expect capital investment in these areas to increase in the coming year, customers' capital projects budget could continue at low levels, which would adversely impact the Company's results.

Acquisition activity could slow or be unsuccessful. A significant portion of the Company's historic growth has come through acquisitions. A slowdown in acquisitions could lead to a slower growth rate. Because new contracts frequently involve start-up costs, sales associated with acquired operations generally have higher margins than new sales associated with internal growth. Therefore a slowdown in acquisition activity could lead to higher costs as well as lower revenue growth. Because contracts in the Company's businesses are generally short-term and personal relationships are significant in retaining customers, the Company relies on its ability to retain the managers of its acquired businesses. An inability to retain the services of the former owners and senior managers of acquired businesses could adversely affect the projected benefits of an acquisition. Moreover, the inability to successfully integrate acquisitions into the Company or to achieve the operational efficiencies anticipated in acquisitions could adversely impact sales and costs.

The Company incurs significant accounting and other control costs, which could increase. As a publicly-traded corporation, the Company incurs certain additional costs to comply with regulatory requirements. Most of the Company's competitors are privately-owned so these costs can be a competitive disadvantage for the Company. Should the Company's sales decline, its costs associated with regulatory compliance will rise as a percentage of sales and under certain circumstances could increase in dollars as well.

An inadequacy in the Company's self-insurance reserves, or the cancellation or nonrenewal of the Company's primary insurance policies, could adversely impact the Company's results. The Company's financial resources and its insurance coverage gives it a competitive advantage over smaller companies. Many customers, particularly institutional owners and large property management companies, prefer to do business with contractors who can provide substantial insurance coverage including, in the case of certain primary coverages, adequate self-insurance, and limits. Should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, this loss would have an adverse impact on the Company's business. While the size of the Company's self-insurance reserves is determined by an actuarial analysis, an unanticipated increase in the frequency or severity of claims against the Company would have an adverse financial impact. In addition, catastrophic uninsured claims against the Company or the inability of the Company's insurance carriers to pay otherwise insured claims would have an adverse financial impact.

Other issues and uncertainties may include:

- labor shortages that adversely affect the Company's ability to employ entry level personnel
- a reduction or revocation of the Company's line of credit that could increase interest expense and the cost of capital
- legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers such as state or locally-mandated healthcare benefits
- new accounting pronouncements or changes in accounting policies
- impairment of goodwill
- the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company
- inclement weather which could disrupt the Company in providing its services

The Company believes that it has the services, human and financial resources for business success, but future profit and cash flow can be adversely (or advantageously) influenced by a number of factors, including those discussed above, any and all of which are inherently difficult to forecast.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, as such, are not subject to material foreign currency exchange rate risk. At October 31, 2003, the Company had no outstanding long-term debt. Although the Company's assets included over \$110.9 million in cash and cash equivalents at October 31, 2003, market rate risk associated with changing interest rates in the United States is not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Independent Auditors' Report

To the Stockholders and Board of Directors

ABM Industries Incorporated:

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2003. In connection with our audits of the consolidated financial statements, we also have audited the related financial statement Schedule II. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABM Industries Incorporated and subsidiaries as of October 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

KPMG LLP

San Francisco, California

January 5, 2004

CONSOLIDATED BALANCE SHEETS

October 31 (in thousands, except share data)	2003	2002
Assets		
Cash and cash equivalents	\$ 110,947	\$ 19,416
Trade accounts receivable (less allowances of \$6,339 and \$5,543)	287,906	296,634
Inventories	21,419	24,471
Deferred income taxes	36,339	30,002
Prepaid expenses and other current assets	44,037	39,501
Assets held for sale	—	32,136
Total current assets	500,648	442,160
Investments and long-term receivables	11,459	14,952
Property, plant and equipment (less accumulated depreciation of \$74,619 and \$69,397)	30,123	35,846
Goodwill (less accumulated amortization of \$69,386)	201,866	164,009
Deferred income taxes	32,462	33,542
Other assets	19,425	14,430
Total assets	\$795,983	\$704,939
Liabilities		
Trade accounts payable	\$ 38,143	\$ 48,995
Income taxes payable	36,658	6,579
Liabilities held for sale	—	7,403
Accrued liabilities:		
Compensation	61,691	60,595
Taxes — other than income	15,297	13,525
Insurance claims	55,499	50,969
Other	49,403	39,024
Total current liabilities	256,691	227,090
Retirement plans	24,175	23,791
Insurance claims	71,081	67,388
Total liabilities	351,947	318,269
Stockholders' equity		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 51,767,000 and 50,397,000 shares issued at October 31, 2003 and 2002, respectively	518	504
Additional paid-in capital	166,497	151,135
Accumulated other comprehensive loss	(268)	(789)
Retained earnings	331,275	259,452
Cost of treasury stock (3,400,000 and 1,400,000 shares at October 31, 2003 and October 31, 2002, respectively)	(53,986)	(23,632)
Total stockholders' equity	444,036	386,670
Total liabilities and stockholders' equity	\$795,983	\$704,939

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31 (in thousands, except per share data)	2003	2002	2001
Revenues			
Sales and other income	\$2,262,476	\$2,068,058	\$2,027,800
Gain on insurance claim	—	10,025	—
	2,262,476	2,078,083	2,027,800
Expenses			
Operating expenses and cost of goods sold	2,035,731	1,855,980	1,820,081
Selling, general and administrative	171,135	156,042	144,927
Interest	758	1,052	2,600
Goodwill amortization	—	—	12,065
	2,207,624	2,013,074	1,979,673
Income from continuing operations before income taxes	54,852	65,009	48,127
Income taxes	18,454	20,951	18,259
Income from continuing operations	36,398	44,058	29,868
Income from discontinued operation, net of income taxes	2,560	2,670	2,958
Gain on sale of discontinued operation, net of income taxes	51,500	—	—
Net income	\$ 90,458	\$ 46,728	\$ 32,826
Net income per common share — Basic			
Income from continuing operations	\$ 0.74	\$ 0.90	\$ 0.62
Income from discontinued operation	0.05	0.05	0.06
Gain on sale of discontinued operation	1.05	—	—
	\$ 1.84	\$ 0.95	\$ 0.68
Net income per common share — Diluted			
Income from continuing operations	\$ 0.73	\$ 0.86	\$ 0.59
Income from discontinued operation	0.05	0.06	0.06
Gain on sale of discontinued operation	1.03	—	—
	\$ 1.81	\$ 0.92	\$ 0.65
Average common and common equivalent shares			
Basic	49,065	49,116	47,598
Diluted	50,004	51,015	50,020

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Years ended October 31, 2003, 2002 and 2001 (in thousands)	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance October 31, 2000	45,998	\$460	—	\$ —	\$102,672	\$(653)	\$213,830	\$316,309
Comprehensive income:								
Net income							32,826	32,826
Foreign currency translation						(110)		(110)
Comprehensive income								32,716
Dividends:								
Common stock							(15,770)	(15,770)
Preferred stock							(432)	(432)
Tax benefit from exercise of stock options					3,651			3,651
Stock issued under employees' stock purchase and option plans and for acquisition	2,780	28			24,675			24,703
Balance October 31, 2001	48,778	\$488	—	\$ —	\$130,998	\$(763)	\$230,454	\$361,177
Comprehensive income:								
Net income							46,728	46,728
Foreign currency translation						(26)		(26)
Comprehensive income								46,702
Dividends:								
Common stock							(17,730)	(17,730)
Tax benefit from exercise of stock options					1,384			1,384
Stock purchases			(1,400)	(23,632)				(23,632)
Stock issued under employees' stock purchase and option plans and for acquisition	1,619	16			18,753			18,769
Balance October 31, 2002	50,397	\$504	(1,400)	\$(23,632)	\$151,135	\$(789)	\$259,452	\$386,670
Comprehensive income:								
Net income							90,458	90,458
Foreign currency translation						521		521
Comprehensive income								90,979
Dividends:								
Common stock							(18,635)	(18,635)
Tax benefit from exercise of stock options					1,052			1,052
Stock purchases			(2,000)	(30,354)				(30,354)
Stock issued under employees' stock purchase and option plans	1,370	14			14,310			14,324
Balance October 31, 2003	51,767	\$518	(3,400)	\$(53,986)	\$166,497	\$(268)	\$331,275	\$444,036

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31 (in thousands)	2003	2002	2001
Cash flows from operating activities:			
Net income	\$ 90,458	\$ 46,728	\$ 32,826
Less income from discontinued operation	(54,060)	(2,670)	(2,958)
Income from continuing operations	36,398	44,058	29,868
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Depreciation and intangible amortization	14,829	14,955	13,823
Goodwill amortization	—	—	12,065
Provision for bad debts	6,544	10,381	5,389
Gain on sale of assets	(66)	(236)	(41)
Gain on sale of business	—	—	(718)
Increase in deferred income taxes	(5,257)	(1,338)	(12,138)
Decrease (increase) in trade accounts receivable	2,225	30,782	(20,500)
Decrease (increase) in inventories	3,081	(4,214)	(2,379)
(Increase) decrease in prepaid expenses and other current assets	(3,105)	3,073	(3,023)
(Increase) decrease in other assets	(5,940)	(3,445)	48
(Decrease) increase in income taxes payable	(769)	590	(1,267)
Increase (decrease) in retirement plans accrual	384	2,308	(903)
Increase in insurance claims liability	8,223	6,665	18,872
(Decrease) increase in trade accounts payable and other accrued liabilities	(2,827)	(3,559)	26,973
Total adjustments to net income	17,322	55,962	36,201
Net cash flows from continuing operating activities	53,720	100,020	66,069
Net operational cash flows from discontinued operation	6,422	10,899	(273)
Net cash provided by operating activities	\$ 60,142	\$ 110,919	\$ 65,796
Cash flows from investing activities:			
Net investing cash flows from discontinued operation	(95)	(136)	(174)
Additions to property, plant and equipment	(11,621)	(7,345)	(16,667)
Proceeds from sale of assets	2,451	1,692	1,172
Decrease (increase) in investments and long-term receivables	3,493	(1,081)	49
Purchase of businesses	(40,574)	(52,448)	(23,401)
Proceeds from sale of business	112,400	—	12,000
Net cash provided by (used in) investing activities	66,054	(59,318)	(27,021)
Cash flows from financing activities:			
Common stock issued	14,324	17,955	26,688
Common stock purchases	(30,354)	(23,632)	—
Preferred stock redemption	—	—	(6,400)
Dividends paid	(18,635)	(17,730)	(16,202)
Decrease in bank overdraft	—	—	(15,952)
Long-term borrowings	—	—	108,000
Repayments of long-term borrowings	—	(11,819)	(133,857)
Net cash used in financing activities	(34,665)	(35,226)	(37,723)
Net increase in cash and cash equivalents	91,531	16,375	1,052
Cash and cash equivalents beginning of year	19,416	3,041	1,989
Cash and cash equivalents end of year	\$ 110,947	\$ 19,416	\$ 3,041
Supplemental Data:			
Cash paid for income taxes	\$ 24,570	\$ 21,699	\$ 31,664
Non-cash investing activities:			
Common stock issued for net assets of business acquired	\$ —	\$ 1,371	\$ 1,666

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of ABM Industries Incorporated and its subsidiaries (the Company). All material intercompany transactions and balances have been eliminated.

Use of Estimates: The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, valuation allowance for the net deferred income tax asset, contingencies and litigation liabilities. The Company bases its estimates on historical experience, independent valuations, and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Reclassifications: The operations of the Company's Elevator segment have been classified as a discontinued operation for all periods presented. Accordingly, the assets and liabilities of the elevator segment have been segregated and classified as held for sale and the operating results and cash flows are shown as discontinued operation in the accompanying consolidated financial statements. See Note 10.

Trade Accounts Receivable: The Company's accounts receivable arise from services provided to its customers and are generally due and payable on terms varying from the receipt of invoice to net thirty days. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

Inventories: Inventories are service related supplies and are valued at amounts approximating the lower of cost (first-in, first-out basis) or market. The cost of inventories is net of vendor rebates. Rebates are accounted for in accordance with Emerging Issues Task Force (EITF) Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," which was issued in November 2002. EITF Issue No. 02-16 provides accounting guidance on how a customer (end user) and a reseller should characterize certain consideration received from a vendor and when to recognize and how to measure that consideration in its income statement. EITF Issue No. 02-16 is effective for fiscal periods beginning after December 15, 2002 for resellers, with early application permitted, while for customers it is effective prospectively for arrangements entered into after November 21, 2002. The Company, as a reseller of certain supplies and equipment, has adopted the provisions of EITF Issue No. 02-16. The adoption had no material effect on the Company's results of operations or financial condition.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation and amortization. At the time property, plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Maintenance and repairs are charged against income as incurred.

Depreciation and amortization are calculated using the straight-line method. Useful lives used in computing depreciation for transportation equipment average 3 to 5 years and for machinery and other equipment average 2 to 20 years. Buildings are depreciated over periods of 20 to 40 years. Leasehold improvements are amortized over the shorter of the terms of the respective leases, or the assets' useful lives.

Goodwill and Other Intangibles: In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 became effective in fiscal years beginning after December 15, 2001, with early adoption permitted. The Company adopted the provisions of SFAS No. 142 beginning with the first quarter of fiscal 2002. In accordance with this standard, goodwill is no longer amortized but is subject to at least an annual assessment for impairment. The Company is required to perform goodwill impairment tests on an annual basis using the two-step process prescribed in SFAS No. 142. The first step is a screen for potential impairment comparing the

reporting unit's fair value with its book value. If the first step indicates potential impairment, the required second step allocates the fair value of the reporting unit to its assets and liabilities, including recognized and unrecognized intangibles. If the implied fair value of the reporting unit's goodwill is lower than its carrying amount, goodwill is impaired and written down to its implied fair value. As of October 31, 2003, no impairment of the Company's goodwill carrying value has been indicated.

The changes in the carrying amount of goodwill for the year ended October 31, 2003 are as follows (acquisitions are discussed in Note 9):

(in thousands)	Balance as of October 31, 2002	Initial Payments for Acquisitions	Contingent Amounts	Balance as of October 31, 2003
Janitorial	\$108,698	\$25,273	\$ 8,687	\$142,658
Parking	27,271	1,657	992	29,920
Engineering	2,174	—	—	2,174
Security	7,213	—	593	7,806
Lighting	16,701	—	655	17,356
Other	1,952	—	—	1,952
Total	\$164,009	\$26,930	\$10,927	\$201,866

Transitional disclosure of earnings excluding goodwill amortization is as follows:

Years ended October 31 (in thousands, except per share data)	2003	2002	2001
Income from continuing operations, net of income taxes	\$36,398	\$44,058	\$29,868
Income from discontinued operation, net of income taxes	2,560	2,670	2,958
Gain on sale of discontinued operation, net of income taxes	51,500	—	—
Goodwill amortization from continuing operations, net of income taxes	—	—	7,481
Goodwill amortization from discontinued operation, net of income taxes	—	—	118
Adjusted net income	90,458	46,728	40,425
Preferred stock dividends	—	—	(432)
Adjusted net income available to common stockholders	\$90,458	\$46,728	\$39,993
Net income per common share — Basic:			
Income from continuing operations	\$ 0.74	\$ 0.90	\$ 0.62
Income from discontinued operation	0.05	0.05	0.06
Gain on sale of discontinued operation	1.05	—	—
Goodwill amortization from continuing operations	—	—	0.16
Goodwill amortization from discontinued operation	—	—	—
Adjusted net income per common share — Basic	\$ 1.84	\$ 0.95	\$ 0.84
Net income per common share — Diluted:			
Income from continuing operations	\$ 0.73	\$ 0.86	\$ 0.59
Income from discontinued operation	0.05	0.06	0.06
Gain on sale of discontinued operation	1.03	—	—
Goodwill amortization from continuing operations	—	—	0.15
Goodwill amortization from discontinued operation	—	—	—
Adjusted net income per common share — Diluted	\$ 1.81	\$ 0.92	\$ 0.80
Average common shares outstanding			
Basic	49,065	49,116	47,598
Diluted	50,004	51,015	50,020

As of October 31, 2003 and 2002, all intangible assets other than goodwill, consisting principally of contract rights with a net book value of \$3.7 million and \$4.1 million, respectively, were included in other assets and are being amortized over the contract periods. Amortization expense for intangible assets other than goodwill was \$1.1 million, \$1.1 million, and \$0.4 million for the years ended October 31, 2003, 2002 and 2001, respectively. The remaining amortiza-

tion period for intangible assets other than goodwill ranges from 1 to 13 years. The weighted average remaining life was 4 years at October 31, 2003.

Income Taxes: Income tax expense is based on reported results of operations before income taxes. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Revenue Recognition: The Company earns revenue primarily under service contracts that are either fixed price or are time and materials based. In both contract types, revenue is recognized as the services are performed. Under the fixed price contracts, with the exception of Lighting's multiple deliverable contracts, there are no up-front fee arrangements or acceptance requirements that would require deferral of revenue recognition under Staff Accounting Bulletin No. 101.

In May 2003, the EITF released Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 provides accounting guidance on when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. The Company has adopted the provisions of EITF Issue No. 00-21 effective in the fourth quarter of 2003. The Company's Lighting segment earns revenues under service contracts that have multiple deliverables including initial services of relamping or retrofitting and future services of periodic maintenance. Lighting's multiple deliverable contracts do not meet the criteria for treating the deliverables as separate units of accounting, hence the revenues and direct costs associated with the initial services are deferred and amortized over the service period on a straight-line basis. This is consistent with the revenue recognition methodology used by Lighting prior to the adoption of EITF Issue No. 00-21. Therefore, the adoption had no material effect on the Company's results of operations or financial condition.

In January 2002, the EITF released Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," which the Company adopted in fiscal 2002. For the Company's Parking segment this pronouncement requires both revenues and expenses be recognized, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Previously, expenses directly reimbursed under managed parking lot agreements were netted against the reimbursement received. EITF No. 01-14 did not change the income statement presentation of revenues and expenses of any other segments and had no impact on the Company's operating profits or net income. Parking sales related solely to the reimbursement of expenses totaled \$215.3 million, \$203.8 million and \$199.1 million for years ended October 31, 2003, 2002 and 2001, respectively.

Net Income per Common Share: The Company has reported its earnings in accordance with SFAS No. 128, "Earnings per Share." Basic net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares outstanding during the period. Diluted net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares outstanding during the period, including common stock equivalents. Preferred stock dividends no longer apply after the redemption of preferred stock on September 4, 2001.

The calculation of net income per common share is as follows:

Years ended October 31 (in thousands, except per share data)	2003	2002	2001
Income from continuing operations, net of income taxes	\$36,398	\$44,058	\$29,868
Income from discontinued operation, net of income taxes	2,560	2,670	2,958
Gain on sale of discontinued operation, net of income taxes	51,500	—	—
Net income	90,458	46,728	32,826
Preferred stock dividends	—	—	(432)
Net income available to common stockholders	\$90,458	\$46,728	\$32,394
Average common shares outstanding — Basic	49,065	49,116	47,598
Effect of dilutive securities:			
Stock options	939	1,899	2,300
Other	—	—	122
Average common shares outstanding — Diluted	50,004	51,015	50,020
Net income per common share — Basic:			
Income from continuing operations	\$ 0.74	\$ 0.90	\$ 0.62
Income from discontinued operation	0.05	0.05	0.06
Gain on sale of discontinued operation	1.05	—	—
	\$ 1.84	\$ 0.95	\$ 0.68
Net income per common share — Diluted:			
Income from continuing operations	\$ 0.73	\$ 0.86	\$ 0.59
Income from discontinued operation	0.05	0.06	0.06
Gain on sale of discontinued operation	1.03	—	—
	\$ 1.81	\$ 0.92	\$ 0.65

For purposes of computing diluted net income per common share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period (*i.e.*, "out-of-the-money" options). On October 31, 2003, 2002 and 2001, options to purchase common shares of 2.8 million, 3.1 million, and 1.7 million at weighted average exercise prices of \$16.26, \$16.29 and \$16.31, respectively, were excluded from the computation.

Cash and Cash Equivalents: The Company considers all highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

Stock-Based Compensation: In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." SFAS No. 148 amended SFAS No. 123, "Accounting for Stock-Based Compensation" to provide for alternative methods of transition to SFAS No. 123 and amended disclosure provisions. SFAS No. 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company continues to account for stock-based employee compensation plans using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and has adopted the disclosure provisions of SFAS No. 148 effective November 1, 2002. The Company's application of APB Opinion No. 25 does not result in compensation cost because the exercise price of the options is equal to the fair value of the stock at the grant date. Under the intrinsic value method, if the fair value of the stock is greater than the exercise price at grant date, the excess is amortized to compensation expense over the estimated service life of the recipient.

As all options granted since October 31, 1995 had an exercise price equal to the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost is reflected in net income for the years ended October 31, 2003, 2002 and 2001. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all employee options granted after October 31, 1995 using the retroactive restatement method:

Years ended October 31 (in thousands, except per share data)	2003	2002	2001
Net income, as reported	\$90,458	\$46,728	\$32,826
Deduct: Stock-based employee compensation cost, net of tax effect, that would have been included in net income if the fair value method had been applied	3,591	3,941	3,724
Net income, pro forma	\$86,867	\$42,787	\$29,102
Net income per common share — Basic			
As reported	\$ 1.84	\$ 0.95	\$ 0.68
Pro forma	\$ 1.77	\$ 0.87	\$ 0.60
Net income per common share — Diluted			
As reported	\$ 1.81	\$ 0.92	\$ 0.65
Pro forma	\$ 1.74	\$ 0.84	\$ 0.57

The fair value of stock-based awards to employees is calculated through the use of option pricing models. The use of these models requires subjective assumptions, including future stock price volatility and expected time to exercise, which can have a significant effect on the calculated values. The Company's calculations for fiscal 2003, 2002 and 2001 were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life from the date of grant of 7.4 years, 9.7 years and 9.2 years, respectively; expected stock price volatility of 23.0%, 32.5% and 28.1%, respectively; expected dividend yields of 2.6%, 2.2% and 2.2%, respectively; and risk free interest rates of 3.3%, 4.4% and 5.3%, respectively.

The Company's calculations are based on a single option valuation approach. The computed fair value of the options awards are amortized over the required vesting periods. The vesting period for the Price-Vested options is initially estimated at eight years. Should the early vesting trigger occur, the remaining unrecognized value of the Price-Vested option is recognized immediately. Stock option forfeitures are recognized as they occur.

Comprehensive Income: Comprehensive income consists of net income and other related gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income. For the Company, such other comprehensive income items consist of unrealized foreign currency translation gains and losses.

2. INSURANCE

The Company self-insures certain insurable risks such as general liability, automobile property damage and workers' compensation. Commercial umbrella policies are obtained to provide for \$150.0 million of coverage above the self-insured retention limits (*i.e.*, deductible). As of November 1, 2002, substantially all of the self-insured retentions increased from \$0.5 million to \$1.0 million. Effective April 14, 2003, the deductible for California workers' compensation insurance increased to \$2.0 million per occurrence due to general insurance market conditions. While the higher self-insured retention increases the Company's risk associated with workers' compensation liabilities, during the history of the Company's self-insurance program, few claims have exceeded \$1.0 million. Despite the higher retention, the price of the 2003 umbrella policies is significantly higher than 2002 and this higher price has been factored into the self-insurance rates charged by the Company to its operations in 2003.

The Company uses independent actuaries to annually evaluate and record the Company's estimated claim costs and liabilities and accrues an amount that is within an actuarial range of exposure. The estimated liability for claims incurred but unpaid at October 31, 2003 and 2002 was \$126.6 million and \$118.4 million, respectively. Based on the annual actuarial review completed in October 2003, the self-insurance reserves as of the end of fiscal year 2003 were deemed adequate.

In the fourth quarter of fiscal year 2001, the Company recorded a \$20.0 million pre-tax expense to strengthen reserves as a result of the actuarial evaluation. The 2001 actuarial report revealed that while the frequency of claims was trending favorably as expected, the severity of claims in 2000 and 2001 trended higher than anticipated in the report received in 2000. The impact of these trends on known claims and on claims incurred but not reported called for an increase of approximately \$8.5 million for fiscal 2001 claims while approximately \$10.5 million reflected 2001's unfavorable trend on pre-2001 claims. Additionally, 2001 required a provision of \$1.0 million for claims related to the September 11, 2001 World Trade Center (WTC) attack.

In connection with certain self-insurance agreements, the Company has standby letters of credit at October 31, 2003 and 2002 supporting the estimated unpaid liability in the amount of \$67.6 million and \$100.3 million, respectively. As of October 31, 2003, the Company participated in the State of California's Self-Insurers' Security Fund in lieu of using standby letters of credit.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at October 31 consisted of the following:

(in thousands)	2003	2002
Land	\$ 876	\$ 876
Buildings	4,133	4,238
Transportation equipment	13,717	14,245
Machinery and other equipment	71,846	71,548
Leasehold improvements	14,170	14,336
	104,742	105,243
Less accumulated depreciation and amortization	74,619	69,397
	\$ 30,123	\$ 35,846

4. LONG-TERM DEBT AND CREDIT AGREEMENT

In April 2003, the Company increased the amount of its syndicated line of credit, which will expire July 1, 2005, to \$250.0 million. As amended, no compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.875% to 1.50% or, for overnight borrowings, at the prime rate plus a spread of 0.00% to 0.25% or, for overnight to one week, at the Interbank Offered Rate (IBOR) plus a spread of 0.875% to 1.50%. The spread for LIBOR, prime and IBOR borrowings is based on the Company's leverage ratio. The facility calls for a commitment fee payable quarterly, in arrears, of 0.20%, as amended, based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of October 31, 2003 and 2002, the total outstanding amounts under this facility were \$69.0 million and \$102.0 million, respectively, in the form of standby letters of credit. The decrease is due to the reduction of the use of standby letters of credit for certain self-insurance agreements, specifically in the State of California where the Company now participates in the state's Self-Insurers' Security Fund in lieu of standby letters of credit. The provisions of the credit facility require the Company to maintain certain financial ratios and limit outside borrowings. The Company was in compliance with all covenants as of October 31, 2003. The Company's effective weighted average interest rate (excluding amortization of related fees) for all LIBOR, prime and IBOR borrowings for the year ended October 31, 2003 was 2.60%.

5. EMPLOYEE BENEFIT PLANS

The Company offers the following employee benefit plans to its employees.

(a) 401(k) Plan

The Company has a 401(k) plan covering certain qualified employees, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions and the Company matches a certain percentage of employee contributions depending on the participant's amount of contributions. Effective January 1, 2002, the Company amended its plan to adopt the "safe harbor" rules of 401(k) plans. These rules contain more generous company match provisions and cover many employees not previously included. Therefore, since January 2002, the Company has been incurring additional costs. All amounts contributed to the plan are deposited into a trust fund administered by independent trustees.

The Company's matching 401(k) contributions required by the 401(k) plan for 2003, 2002 and 2001 were \$5.2 million, \$4.2 million and \$1.5 million, respectively.

(b) Retirement Agreements

The Company has unfunded retirement agreements for approximately 55 current and former directors and senior executives, many of which are fully vested. The retirement agreements for senior executives provide for monthly benefits for ten years commencing at the later of the respective retirement dates of those executives or age 65. The benefits are accrued over required vesting periods. During 2003, 2002 and 2001, amounts accrued under these agreements were \$0.4 million, \$0.5 million and \$0.5 million, respectively. Payments were made in 2003, 2002 and 2001 in the amounts of \$0.4 million, \$0.4 million and \$0.2 million, respectively. As of October 31, 2003, the present value of estimated future payments under these agreements was \$3.9 million.

Non-employee directors who have completed at least five years of service are eligible to receive ten years of monthly retirement benefits equal to the monthly retainer fee received prior to retirement, reduced on a pro-rata basis for fewer than ten years of service. Benefit payments commence at the later of the respective retirement dates of those directors or age 62 (early retirement) or 72 (senior retirement) and ends at the earlier of the 121st month after retirement or the death of the director. Non-employee directors who retire after the age of 70 have the option to receive a lump sum payment equal to the present value of the monthly payments discounted at 8.0%. The benefits are accrued over required vesting periods. During 2003, 2002 and 2001, amounts accrued under this agreement were \$0.4 million, \$0.1 million and \$0.1 million, respectively. Payments made in 2003 were \$0.2 million and less than \$0.1 million of payments were made in each of the fiscal years 2002 and 2001. As of October 31, 2003, the present value of estimated future payments under these agreements was \$1.2 million.

(c) Service Award Benefit Plan

The Company has an unfunded service award benefit plan, with a retroactive vesting period of five years. This plan is a "severance pay plan" as defined by the Employee Retirement Income Security Act (ERISA) and covers certain qualified employees. The plan provides participants, upon termination, with a guaranteed seven days pay for each year of employment subsequent to November 1, 1989. The Company, at its discretion, may also award additional days each year.

Effective January 1, 2002, this plan was amended to no longer award any further days to employees. The enhancement of the 401(k) plan has replaced benefits previously provided under this plan. The Company will continue to incur interest costs related to this plan as the value of previously earned benefits continues to increase.

Net cost of the plan is comprised of:

(in thousands)	2003	2002	2001
Service cost	\$ —	\$ 184	\$ 427
Interest	317	350	358
Net cost	\$ 317	\$ 534	\$ 785
Actuarial present value of:			
Vested benefit obligation	\$4,409	\$4,571	\$4,479
Accumulated benefit obligation	\$4,433	\$4,664	\$4,662
Projected benefit obligation	\$4,792	\$5,153	\$5,342

The 2003 actuarial present values reflect the payout of 24 plan participants who were employees of Amtech Elevator Services, Inc. and were terminated on August 15, 2003. See Note 10.

Assumptions used in accounting for the plan as of October 31 were:

	2003	2002	2001
Weighted average discount rate	6.25%	6.75%	7.50%
Rate of increase in compensation level	3.0%	3.0%	5.0%

The liability recorded by the Company is equal to the accumulated benefit obligation shown above.

(d) Death Benefit Plan

The Company has an unfunded post-retirement death benefit plan with a vesting period of ten years. This plan covers certain qualified employees and, upon retirement on or after the employee's 62nd birthday, provides fifty percent of the death benefit that the employee was entitled to prior to retirement subject to a maximum of \$150,000. Coverage during retirement continues until death for retired employees hired before September 1, 1980. On March 1, 2003, the post-retirement death benefit for any active employees hired after September 1, 1980 was eliminated. For employees hired after September 1, 1980 and retired before March 1, 2003, the post-retirement death benefit continues until the retired employees 70th birthday.

At October 31, 2003 and 2002, the actuarial present values of the accumulated post-retirement benefit obligation were \$4.4 million and \$5.1 million, respectively. The accumulated post-retirement benefit obligation was calculated using the assumed rates of 6.25% and 6.75% weighted average discount rate as of October 31, 2003 and 2002 and 3% increase in compensation level for both years. The Company recorded liabilities of \$4.2 million and \$3.8 million, at October 31, 2003 and 2002, respectively, for its obligations under the plan.

The decline in the actuarial present value in 2003 was primarily due to the elimination of the benefit for employees hired after September 1, 1980 and the termination of the employees of Amtech Elevator Services, Inc. upon the sale of its operating assets to Otis Elevator Company (Otis Elevator) on August 15, 2003. See Note 10.

(e) Pension Plan Under Collective Bargaining

Certain qualified employees of the Company are covered under union-sponsored collectively bargained multi-employer defined benefit plans. Contributions for these plans were approximately \$29.2 million, \$26.7 million and \$27.4 million in 2003, 2002 and 2001, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

6. LEASE COMMITMENTS AND RENTAL EXPENSE

The Company is contractually obligated to make future payments under noncancelable operating lease agreements for various facilities, vehicles and other equipment. As of October 31, 2003, future minimum

lease commitments under noncancelable operating leases were as follows:

Fiscal years ending (in thousands)	
2004	\$ 44,042
2005	33,585
2006	25,425
2007	18,559
2008	13,969
Thereafter	59,874
Total minimum lease commitments	\$195,454

Rental expense for continuing operations for the years ended October 31 is summarized as follows:

(in thousands)	2003	2002	2001
Minimum rentals under noncancelable leases	\$54,360	\$51,441	\$ 49,506
Contingent rentals	34,390	35,093	44,255
Short-term rental agreements	8,175	11,076	7,029
	\$96,925	\$97,610	\$100,790

Contingent rentals are applicable to leases of parking lots and garages and are based on percentages of the gross receipts or other financial parameters attributable to the related facilities.

7. CAPITAL STOCK

Common Stock

On March 12, 2002, ABM's Board of Directors declared a 2-for-1 split of ABM's common stock in the form of a 100% stock dividend payable on May 7, 2002 to stockholders of record on March 29, 2002. A total of 24.9 million shares of common stock were issued in connection with the stock split. The par value of the shares was not changed from \$0.01.

Treasury Stock

On September 16, 2001, the Company's Board of Directors authorized the purchase of up to 2.0 million shares of the Company's outstanding common stock at any time through December 31, 2001, which authorization was later extended through January 31, 2003. As of October 31, 2002, the Company had purchased 1.4 million shares at a cost of \$23.6 million (an average price per share of \$16.88). In the three months ended January 31, 2003, the Company purchased the remaining 0.6 million shares at a cost of \$9.3 million (an average price per share of \$15.50).

On March 11, 2003, the Company's Board of Directors authorized the purchase of up to 2.0 million additional shares of the Company's outstanding common stock at any time through December 31, 2003. As of October 31, 2003, the Company purchased 1.4 million shares under this authorization at a cost of \$21.1 million (an average price per share of \$15.04) and 0.6 million shares are available for purchase.

On December 9, 2003, the Company's Board of Directors authorized the purchase of up to 2.0 million additional shares of the Company's outstanding common stock at any time through December 31, 2004.

Preferred Stock

The Company is authorized to issue 0.5 million shares of preferred stock. None of these preferred shares are currently issued.

Common Stock Rights Plan

Under the Company's stockholder rights plan one preferred stock purchase right (a Right) attached to each outstanding share of common stock on April 22, 1998, and a Right has attached or will attach to each subsequently issued share of common stock. The Rights are exercisable only if a person or group acquires 20% or more of the Company's common stock (an Acquiring Person) or announces a tender offer for 20% or more of the common stock. Each Right entitles stockholders to buy one-two thousandths of a share of newly created Participating Preferred Stock, par value \$0.01 per share, of the Company at an initial exercise price of \$87.50 per Right, subject to adjustment from time to time. However, if any person becomes an Acquiring Person, each Right will then entitle its holder (other than the Acquiring Person) to purchase at the exercise price common stock (or, in certain circumstances, Participating Preferred Stock) of the Company having a market value at that time of twice the Right's exercise price. These Rights holders would also be entitled to purchase an equivalent number of shares at the exercise price if the Acquiring Person were to control the Company's Board of Directors and cause the Company to enter into certain mergers or other transactions. In addition, if an Acquiring Person acquired between 20% and 50% of the Company's voting stock, the Company's Board of Directors may, at its option, exchange one share of the Company's common stock for each Right held (other than Rights held by the Acquiring Person). Rights held by the Acquiring Person will

become void. The Theodore Rosenberg Trust and The Sydney J. Rosenberg Trust, and certain related persons, cannot be Acquiring Persons under the Rights plan, therefore, changes in their holdings will not cause the Rights to become exercisable or non-redeemable or trigger the other features of the Rights. The Rights will expire on April 22, 2008, unless earlier redeemed by the Board at \$0.005 per Right.

Stock Options

The Company has four types of stock option plans which are described below.

"Time-Vested" Incentive Stock Option Plan

In 1987, the Company adopted a stock option plan under which 2.4 million shares were reserved for grant. In March 1994, this plan was amended to reserve an additional 2.0 million shares. In March 1996, the plan was amended again to reserve another 4.0 million shares. The options become exercisable at a rate of 20% per year beginning one year after date of grant and terminate no later than 10 years plus one month after date of grant. Options which terminate without being exercised may be reissued. At October 31, 2003, 0.9 million shares remained available for grant.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 2000	3,704,000	\$ 9.62
Granted (Weighted average fair value of \$4.70)	546,000	\$15.16
Exercised	(868,000)	\$ 6.88
Forfeitures	(216,000)	\$12.26
Balance October 31, 2001	3,166,000	\$11.14
Granted (Weighted average fair value of \$4.56)	313,000	\$ 8.48
Exercised	(505,000)	\$14.94
Forfeitures	(346,000)	\$13.00
Balance October 31, 2002	2,628,000	\$11.86
Granted (Weighted average fair value of \$3.15)	483,000	\$14.88
Exercised	(381,000)	\$ 7.35
Forfeitures	(100,000)	\$15.35
Balance October 31, 2003	2,630,000	\$12.93

In November 2003, 0.2 million shares, with a weighted average exercise price of \$15.77 were granted under this plan.

Range of Prices	Outstanding at October 31, 2003			Exercisable at October 31, 2003	
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$ 4.24 – 6.66	168,000	1.0	\$ 5.24	168,000	\$ 5.24
\$ 8.72 – 14.1	1,137,000	4.8	\$10.94	815,000	\$10.35
\$14.70 – 18.30	1,325,000	7.2	\$15.62	552,000	\$16.12
Total	2,630,000	5.7	\$12.93	1,535,000	\$11.87

"Price-Vested" Performance Stock Option Plans

In December 1996, the Company adopted a stock option plan (the 1996 Plan) under which 3.0 million shares have been reserved. In December 2001, the Company adopted an additional but substantially similar plan (the 2002 Plan) under which 4.0 million shares were reserved for grant under the plan. The options expire ten years after the date of grant and any options which terminate without being exercised may be reissued. Each option has a pre-defined vesting price which provides for accelerated vesting. If, during the first four years, the stock price achieved and maintained a set price for ten out of thirty consecutive trading days, the options associated with the price would vest. The prices established were \$12.50, \$15.00, \$17.50 and \$20.00 in the 1996 Plan. On September 10, 2002, the Board of Directors established accelerated vesting prices of \$20.00, \$22.50, \$25.00 and \$27.50 for the 2002 Plan. The 1996 Plan and 2002 Plan provide that 25% of the options granted will vest at each price point. If, at the end of four years, any of the stock price performance targets were not achieved, then the remaining options would vest at the end of eight years from the date the options were granted. Options vesting during the first year following grant do not become exercisable until after the first anniversary of grant. At October 31, 2003, 0.2 million and 2.8 million shares remained available for grant under the 1996 Plan and 2002 Plan, respectively.

Transactions under these plans are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 2000	2,290,000	\$11.17
Granted (Weighted average fair value of \$5.48)	360,000	\$15.38
Exercised	(420,000)	\$10.09
Forfeitures	(170,000)	\$13.95
Balance October 31, 2001	2,060,000	\$11.89
Granted (Weighted average fair value of \$6.09)	1,190,000	\$16.67
Exercised	(130,000)	\$13.89
Forfeitures	(60,000)	\$10.06
Balance October 31, 2002	3,060,000	\$13.70
Granted (Weighted average fair value of \$3.60)	231,000	\$14.59
Exercised	(130,000)	\$10.09
Forfeitures	(150,000)	\$16.29
Balance October 31, 2003	3,011,000	\$13.79

Range of Prices	Outstanding at October 31, 2003			Exercisable at October 31, 2003		
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$10.00 – 12.80	1,220,000	3.5	\$10.18	860,000	\$10.23	
\$13.20 – 18.30	1,791,000	8.2	\$16.26	450,000	\$15.94	
Total	3,011,000	6.3	\$13.79	1,310,000	\$12.20	

“Age-Vested” Career Stock Option Plan

In 1984, the Company adopted a stock option plan whereby 1.36 million shares were reserved for grant. In March 1996, another 2.0 million shares were reserved for grant under the plan. As amended on December 20, 1994, options which have been granted at fair market value are 50% exercisable when the option holders reach their 61st birthdays and the remaining 50% will vest on their 64th birthdays. To the extent vested, the options may be exercised at any time prior to one year after termination of employment. On December 9, 2003, the Board of Directors amended the plan to provide that no further grants may be made under the Plan. At the time of this amendment, 1.0 million shares were available for grant under the plan. These shares, as well as any shares related to options that are cancelled without being exercised, will no longer be reserved for issuance under the plan.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 2000	2,202,000	\$10.48
Granted (Weighted average fair value of \$6.42)	146,000	\$15.38
Exercised	(422,000)	\$ 5.65
Forfeitures	(92,000)	\$10.29
Balance October 31, 2001	1,834,000	\$11.50
Granted (Weighted average fair value of \$6.29)	155,000	\$15.38
Exercised	(79,000)	\$10.40
Forfeitures	(139,000)	\$13.84
Balance October 31, 2002	1,771,000	\$11.72
Granted	—	—
Exercised	(30,000)	\$ 8.70
Forfeitures	(190,000)	\$15.34
Balance October 31, 2003	1,551,000	\$11.31

Range of Prices	Outstanding at October 31, 2003			Exercisable at October 31, 2003		
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 2.86	308,000	3.0	\$ 2.86	104,000	\$ 2.86	
\$ 5.63 – 9.72	183,000	6.1	\$ 5.96	22,000	\$ 5.63	
\$10.38	103,000	15.6	\$10.38	—	—	
\$14.70 – 18.30	957,000	10.7	\$15.15	170,000	\$15.12	

Total	1,551,000	8.9	\$11.31	296,000	\$10.11
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Employee Stock Purchase Plan

In 1985, the Company adopted an employee stock purchase plan under which sale of 10.0 million shares of its common stock has been authorized. In March 1996 and 1999, sales of an additional 2.4 million shares each were authorized, and again in March 2001, 2.4 million additional shares were authorized under this plan. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value on the date of purchase. Employees may designate up to 10% of their compensation for the purchase of stock, subject to a \$25,000 annual limit. During 2003, 2002, and 2001, 0.9 million, 0.9 million and 1.1 million shares of stock were issued under the plan for aggregate purchase prices of \$11.1 million, \$11.6 million and \$12.1 million, respectively. The weighted average fair value of those purchase rights granted in 2003, 2002

and 2001 were \$4.16, \$3.85 and \$3.50, respectively, and were issued at a weighted average price of \$12.20, \$13.36 and \$11.52, respectively. At October 31, 2003, 0.1 million shares remained unissued under the plan. This plan terminated upon issue of all of the available shares in November 2003.

On December 9, 2003, the Board of Directors of ABM approved the submission of a new employee stock purchase plan to ABM's stockholders for approval at the 2004 Annual Meeting. Under the proposed plan the purchase price of the shares under the plan will be determined twice a year on the 1st of May and November of each plan year and it will be the lesser of 85% of the fair market value on those dates or 85% of the fair market value on the date of monthly purchases. Employees may designate up to 10% of their compensation for the purchase of stock, subject to a \$25,000 annual limit. Employees will be required to hold their shares for six months from the date of purchase.

8. INCOME TAXES

The income taxes provision for continuing operations is made up of the following components for each of the years ended October 31:

(in thousands)	2003	2002	2001
Current			
Federal	\$22,402	\$19,408	\$ 26,346
State	2,030	2,887	3,887
Foreign	110	63	41
Deferred			
Federal	(5,720)	(2,529)	(10,894)
State	(368)	1,122	(1,121)
	\$18,454	\$20,951	\$ 18,259

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the U.S. statutory rates to pretax income from continuing operations as a result of the following for the years ended October 31:

	2003	2002	2001
Statutory rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal tax benefit	3.2	3.1	3.6
Tax credits	(5.6)	(6.1)	(5.7)
Tax liability no longer required	—	(2.2)	—
Non deductible expenses and other — net	1.0	2.4	5.0
	33.6%	32.2%	37.9%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31 are presented below:

(in thousands)	2003	2002
Deferred tax assets:		
Self-insurance claims	\$48,343	\$45,202
Bad debt allowance	2,421	2,119
Deferred and other compensation	14,441	14,046
Goodwill	—	1,105
State taxes payable	2,469	791
Other	7,459	2,932
Total gross deferred tax assets	75,133	66,195
Deferred tax liabilities:		
Goodwill	(3,798)	—
Deferred software development cost	(2,534)	(3,482)
Total gross deferred tax liabilities	(6,332)	(3,482)
Net deferred tax assets of continuing operations	68,801	62,713
Net deferred tax assets of discontinued operation	—	831
Net deferred tax assets	\$68,801	\$63,544

Management has determined that it is more likely than not that the total net deferred tax asset will be realized.

9. ACQUISITIONS

All acquisitions have been accounted for using the purchase method of accounting. Operations of the companies and businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The excess of the purchase price (including contingent amounts) over fair value of the net assets acquired is generally included in goodwill. Most purchase agreements provide for initial payments and contingent amounts based on the annual pretax income or other financial parameters for subsequent periods ranging generally from two to five years. Cash paid for acquisitions, including down payments and contingent amounts was \$40.6 million, \$52.4 million and \$23.4 million in the years ended October 31, 2003, 2002 and 2001, respectively. In addition, shares of common stock with a fair market value of \$1.4 million and \$1.7 million at the date of issuance were issued in 2002 and 2001, respectively. The common stock issuance in 2002 was the final payment made under the contingent payment provisions of a 1997 acquisition.

Acquisitions made during the year ended October 31, 2003 are discussed below:

On January 31, 2003, the Company acquired the commercial self-performed janitorial cleaning operations of Horizon National Commercial Services, LLC, a provider of janitorial services based in Red Bank, New Jersey. Assets acquired by the Company include key customer accounts in the eastern, mid-western and south central United States. The total adjusted acquisition cost was \$14.7 million, which included the assumption of payroll related liabilities totaling \$0.2 million. Of the total adjusted acquisition cost, \$12.9 million was allocated to goodwill and \$1.8 million to fixed and other assets at the time of acquisition.

On April 30, 2003, the Company acquired selected assets of Valet Parking Service, a provider of parking services based in Culver City, California. The total acquisition cost was \$1.7 million, most of which was allocated to goodwill, plus annual contingent amounts of \$0.3 million for the three years subsequent to the acquisition date, if specified levels of variable gross profits from the acquired operations are maintained.

On August 29, 2003, the Company acquired substantially all of the assets and operations of H.G.O., Inc., d/b/a HGO Services, a provider of janitorial services based in King of Prussia, Pennsylvania. Assets acquired by the Company include key customer accounts in the greater Philadelphia metropolitan area, including locations in New Jersey and Delaware. The total acquisition cost was \$12.8 million, plus annual contingent amounts of approximately \$1.1 million for the three years subsequent to the acquisition date if specified levels of customer accounts are retained, and additional annual contingent amounts for the three years subsequent to the acquisition date if financial performance exceeds agreed-upon levels. Of the total initial acquisition cost, \$12.4 million was allocated to goodwill and \$0.4 million to fixed and other assets at the time of acquisition. Contingent amounts, if paid, will be allocated to goodwill.

The operating results generated from these acquisitions are included in the consolidated financial results of the Company from the respective dates of acquisition. Due to the relative size of these acquisitions, pro forma information is not included in the consolidated financial statements.

During the year ended October 31, 2003, contingent amounts totaling \$10.9 million were paid on earlier acquisitions as provided by the respective purchase agreements. All amounts paid were added to goodwill.

Acquisitions made during the year ended October 31, 2002 are discussed below:

The Company acquired the service contracts and selected assets of Triumph Security Corporation and Triumph Cleaning Corporation (collectively, Triumph) with customers located in New York City effective January 26 and 28, 2002, respectively. This acquisition contributed \$6.4 million in sales in 2002.

On February 28, 2002, the Company acquired the security contracts, accounts receivable and selected assets of Foulke Associates, Inc. (Foulke) with customers located throughout Georgia, Florida, Maryland, Pennsylvania and Virginia. This acquisition contributed \$11.8 million in sales in 2002.

The total cost of the Triumph and Foulke acquisitions was \$8.8 million, of which \$7.1 million was allocated to goodwill. The aggregate purchase prices of these acquisitions do not reflect payments of contingent consideration based upon the future results of operations of the businesses acquired. As these acquisitions were not material, pro forma information is not included in the accompanying consolidated financial statements.

On July 12, 2002, the Company acquired the operations of Lakeside Building Maintenance, Inc. and an affiliated company (collectively, Lakeside) with customers located in Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Louisville, Milwaukee, Nashville and St. Louis. The total down payment acquisition cost was \$41.1 million, which included the assumption of liabilities totaling \$4.2 million. Of the down payment, \$39.5 million was allocated to goodwill. Contingent amounts are payable over a three-year period commencing July 13, 2002. The first two annual payments will be equal to fifty percent of Lakeside's Adjusted Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) for each year of the two-year period following the acquisition, while the final payment will be equal to \$5.3 million provided that the gross sales of Lakeside during the third year following the acquisition are equal to or greater than \$131.2 million. This acquisition contributed \$51.6 million in revenues in 2002. Included in the ABM results of operations for

the year ended October 31, 2002, was \$3.5 million of Lakeside pretax operating profit.

The following pro forma information for the Lakeside acquisition assumes that the acquisition occurred on November 1, 2000. The actual results of operations of Lakeside for the period July 13, 2002 through October 31, 2002 are included in the ABM results of operations for the year ended October 31, 2002.

(in thousands, except per share data)	2002			2001		
	ABM	Lakeside*	Pro Forma	ABM	Lakeside	Pro Forma
Revenues	\$2,078,083	(Unaudited) \$113,460	(Unaudited) \$2,191,543	\$2,027,800	(Unaudited) \$149,434	(Unaudited) \$2,177,234
Operating and SG&A expense	2,012,022	106,413	2,118,435	1,965,008	139,883	2,104,891
Interest expense	1,052	1,365	2,417	2,600	2,663	5,263
Goodwill amortization	—	—	—	12,065	2,625	14,690
Total expenses	2,013,074	107,778	2,120,852	1,979,673	145,171	2,124,844
Income from continuing operations before income taxes	65,009	5,682	70,691	48,127	4,263	52,390
Income taxes	20,951	2,063	23,014	18,259	1,620	19,879
Net income from continuing operations	\$ 44,058	\$ 3,619	\$ 47,677	\$ 29,868	\$ 2,643	\$ 32,511

* Represents Lakeside results of operations for the period November 1, 2001 through July 12, 2002.

Net income per common share from continuing operations						
Basic	\$ 0.90	—	\$ 0.97	\$ 0.62	—	\$ 0.67
Diluted	\$ 0.86	—	\$ 0.93	\$ 0.59	—	\$ 0.64
Average common shares outstanding						
Basic	49,116	—	49,116	47,598	—	47,598
Diluted	51,015	—	51,015	50,020	—	50,020

10. DISCONTINUED OPERATION

On July 9, 2003, ABM Industries Incorporated entered into a Sale Agreement with Otis Elevator to sell substantially all of the operating assets of Amtech Elevator Services, Inc. (a wholly-owned subsidiary which represented the Company's Elevator segment) to Otis Elevator. On August 15, 2003, the sale was completed. The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in connection with the sale included \$112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. The Company realized a gain on the sale of \$51.5 million which is net of \$31.9 million of income taxes.

The assets and liabilities of the Elevator segment have been segregated and classified as held for sale and the operating results and cash flows have been reported as discontinued operation in the accompanying consolidated financial statements. Income taxes have been allocated using the estimated combined federal and state tax rates applicable to Elevator for each of the periods presented. The prior periods presented have been reclassified.

The operating results of the discontinued operation for the years ended October 31, 2003, 2002 and 2001 are shown below. Operating results for 2003 are for the period beginning November 1, 2002 through the date of sale, August 15, 2003.

(in thousands)	2003	2002	2001
Revenues	\$88,147	\$113,874	\$121,371
Income before income taxes	4,142	4,319	4,818
Income taxes	1,582	1,649	1,860
Net income	\$ 2,560	\$ 2,670	\$ 2,958

Assets and liabilities of the discontinued operation were as follows at August 15, 2003 (the date of sale) and at October 31, 2002 included in the accompanying consolidated balance sheet:

(in thousands)	August 15, 2003	October 31, 2002
Trade accounts receivable, net	\$17,432	\$21,742
Inventories	6,634	5,584
Prepaid expenses and other current assets	518	435
Property, plant and equipment, net	362	420
Goodwill	3,907	3,907
Other assets	48	48
Total assets	28,901	32,136
Trade accounts payable	2,909	2,590
Accrued liabilities:		
Compensation	2,059	1,817
Taxes — other than income	337	398
Other	2,564	2,598
Total liabilities	7,869	7,403
Net assets	\$21,032	\$24,733

11. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate fair value due to the short-maturity of these instruments.

Financial instruments included in investments and long-term receivables have no quoted market prices and, accordingly, a reasonable estimate of fair market value could not be made without incurring excessive costs. However, the Company believes by reference to stated interest rates and security held that the fair value of the assets would not differ significantly from the carrying value.

12. CONTINGENCIES

In September 1999, a former employee filed a gender discrimination lawsuit against ABM in the state of Washington. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court, in the case named *Forbes v. ABM*, awarded \$4.0 million in damages, and the court later awarded costs of \$0.7 million to the former employee. In addition, the court may award the plaintiff up to \$0.8 million to mitigate the federal tax impact of the plaintiff's award (the Washington Supreme Court is currently deciding whether amounts to mitigate federal tax consequences may be awarded in wrongful termination cases). ABM will appeal the jury's verdict to the State Court of Appeals as well as the award of costs on the grounds that it was denied a fair trial. There can be no assurance that ABM will prevail in this matter. ABM, however, believes that the award against ABM was excessive and that the verdict was inconsistent with the law and the evidence. Because ABM believes that the judgment will be reversed upon appeal, ABM has not recorded any liability in its financial statements associated with the judgment. However, as of October 31, 2003, ABM has incurred and recorded legal fees of \$0.1 million associated with the appeal. These fees, which include the cost of a new trial, are expected to total approximately \$0.4 million.

The Company and some of its subsidiaries have been named defendants in certain other litigation arising in the ordinary course of business. In the opinion of management, based on advice of legal counsel, such matters should have no material effect on the Company's financial position, results of operations or cash flows.

13. SEGMENT INFORMATION

Under SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," segment information is presented under the management approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers.

The Company is currently organized into seven separate operating segments. Under the criteria of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," Janitorial, Parking, Engineering, Security and Lighting are reportable segments. Substantially all of the operating assets of the Elevator segment were sold on August 15, 2003 and its operating results are reported separately under discontinued operation (see Note 10). Mechanical, Facility Services, and Easterday Janitorial Supply, prior to its sale on April 29, 2001, are included in the Other segment. Corporate expenses are not allocated. The unallocated corporate expenses for 2001 included a \$20.0 million insurance charge, recorded in the fourth quarter of 2001, (see Note 2) and centralization of marketing and sales expenses. While virtually all insurance claims arise from the operating segments, this adjustment was recorded as unallocated corpo-

rate expense. Had the Company allocated the insurance charge among the segments, the reported pre-tax operating profits of the segments, as a whole, would have been reduced by \$20.0 million with an equal and offsetting change to unallocated corporate expenses and therefore no change to consolidated pre-tax earnings. All of these segments are distinct business units. They are managed separately because of their unique services, technology and marketing requirements. Nearly 100% of the operations and related sales are within the United States and no single customer accounts for more than 5% of sales. For comparative purposes, goodwill amortization has been segregated from the operating profits of the segments for the year ended October 31, 2001 and reported separately.

SEGMENT INFORMATION

(in thousands) Year ended October 31, 2003	Janitorial	Parking	Engineering	Security	Lighting	Other	Corporate	Goodwill Amortization	Assets Held For Sale	Consolidated Totals
Sales and other income	\$1,368,282	\$380,576	\$180,230	\$159,670	\$127,539	\$45,394	\$ 785	\$ —	\$ —	\$2,262,476
Operating profit	\$ 53,487	\$ 6,349	\$ 9,925	\$ 6,485	\$ 5,646	\$ 1,337	\$ (27,619)	\$ —	\$ —	\$ 55,610
Interest expense	—	—	—	—	—	—	(758)	—	—	(758)
Income from continuing operations before income taxes	\$ 53,487	\$ 6,349	\$ 9,925	\$ 6,485	\$ 5,646	\$ 1,337	\$ (28,377)	\$ —	\$ —	\$ 54,852
Identifiable assets	\$ 364,304	\$ 78,185	\$ 35,728	\$ 35,828	\$ 80,211	\$13,909	\$187,818	\$ —	\$ —	\$ 795,983
Depreciation expense	\$ 5,425	\$ 1,368	\$ 59	\$ 268	\$ 1,584	\$ 176	\$ 4,804	\$ —	\$ —	\$ 13,684
Intangible amortization expense	\$ 700	\$ 304	\$ —	\$ —	\$ —	\$ 141	\$ —	\$ —	\$ —	\$ 1,145
Capital expenditures	\$ 5,017	\$ 1,228	\$ 18	\$ 109	\$ 1,551	\$ 91	\$ 3,607	\$ —	\$ —	\$ 11,621
Year ended October 31, 2002										
Sales and other income	\$1,197,035	\$363,511	\$173,561	\$140,569	\$130,858	\$61,963	\$ 561	\$ —	\$ —	\$2,068,058
Gain on insurance claim	—	—	—	—	—	—	10,025	—	—	10,025
Total revenues	\$1,197,035	\$363,511	\$173,561	\$140,569	\$130,858	\$61,963	\$ 10,586	\$ —	\$ —	\$2,078,083
Operating profit	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ (1,190)	\$ (27,992)	\$ —	\$ —	\$ 56,036
Gain on insurance claim	—	—	—	—	—	—	10,025	—	—	10,025
Interest expense	—	—	—	—	—	—	(1,052)	—	—	(1,052)
Income from continuing operations before income taxes	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ (1,190)	\$ (19,019)	\$ —	\$ —	\$ 65,009
Identifiable assets	\$ 336,414	\$ 80,889	\$ 32,435	\$ 31,295	\$ 82,197	\$15,080	\$ 94,493	\$ —	\$32,136	\$ 704,939
Depreciation expense	\$ 5,091	\$ 1,764	\$ 85	\$ 304	\$ 1,725	\$ 240	\$ 4,661	\$ —	\$ —	\$ 13,870
Intangible amortization expense	\$ 700	\$ 244	\$ —	\$ —	\$ —	\$ 141	\$ —	\$ —	\$ —	\$ 1,085
Capital expenditures	\$ 3,643	\$ 1,119	\$ 39	\$ 289	\$ 722	\$ 141	\$ 1,392	\$ —	\$ —	\$ 7,345
Year ended October 31, 2001										
Sales and other income	\$1,159,914	\$365,073	\$171,008	\$103,980	\$144,319	\$82,188	\$ 1,318	\$ —	\$ —	\$2,027,800
Operating profit	\$ 67,590	\$ 6,619	\$ 9,404	\$ 3,174	\$ 11,983	\$ 5,280	\$ (41,258)	\$ (12,065)	\$ —	\$ 50,727
Interest expense	(917)	—	(7)	(10)	—	1	(1,667)	—	—	(2,600)
Income from continuing operations before income taxes	\$ 66,673	\$ 6,619	\$ 9,397	\$ 3,164	\$ 11,983	\$ 5,281	\$ (42,925)	\$ (12,065)	\$ —	\$ 48,127
Identifiable assets	\$ 285,979	\$ 86,837	\$ 47,948	\$ 23,835	\$ 82,528	\$14,536	\$100,075	\$ —	\$41,362	\$ 683,100
Depreciation expense	\$ 4,980	\$ 1,980	\$ 79	\$ 221	\$ 1,542	\$ 505	\$ 4,155	\$ —	\$ —	\$ 13,462
Intangible amortization expense	\$ 181	\$ 180	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 361
Goodwill amortization expense	\$ 7,728	\$ 2,569	\$ 369	\$ 171	\$ 945	\$ 283	\$ —	\$ —	\$ —	\$ 12,065
Capital expenditures	\$ 3,659	\$ 1,612	\$ 79	\$ 311	\$ 2,572	\$ 1,295	\$ 7,139	\$ —	\$ —	\$ 16,667

14. QUARTERLY INFORMATION (UNAUDITED)

(in thousands, except per share amounts)	Fiscal Quarter				Year
	First	Second	Third	Fourth	
Year ended October 31, 2003					
Sales and other income	\$552,444	\$562,537	\$569,093	\$578,402	\$2,262,476
Gross profit from continuing operations	\$ 48,391	\$ 57,330	\$ 57,373	\$ 63,651	\$ 226,745
Net income from continuing operations	\$ 3,750	\$ 9,248	\$ 10,556	\$ 12,844	\$ 36,398
Net income from discontinued operation	588	644	1,182	146	2,560
Net gain on sale of discontinued operation	—	—	—	51,500	51,500
	\$ 4,338	\$ 9,892	\$ 11,738	\$ 64,490	\$ 90,458
Net income per common share — Basic					
Income from continuing operations	\$ 0.08	\$ 0.19	\$ 0.21	\$ 0.26	\$ 0.74
Income from discontinued operation	0.01	0.01	0.03	—	0.05
Gain on sale of discontinued operation	—	—	—	1.05	1.05
	\$ 0.09	\$ 0.20	\$ 0.24	\$ 1.31	\$ 1.84
Net income per common share — Diluted					
Income from continuing operations	\$ 0.08	\$ 0.18	\$ 0.21	\$ 0.26	\$ 0.73
Income from discontinued operation	0.01	0.02	0.02	—	0.05
Gain on sale of discontinued operation	—	—	—	1.03	1.03
	\$ 0.09	\$ 0.20	\$ 0.23	\$ 1.29	\$ 1.81
Year ended October 31, 2002					
Sales and other income	\$501,059	\$497,616	\$514,260	\$555,123	\$2,068,058
Gain on insurance claim	—	4,300	5,725	—	10,025
Total revenues	\$501,059	\$501,916	\$519,985	\$555,123	\$2,078,083
Gross profit from continuing operations	\$ 47,379	\$ 52,036	\$ 53,318	\$ 59,345	\$ 212,078
Net income from continuing operations	\$ 7,425	\$ 13,613	\$ 11,891	\$ 11,129	\$ 44,058
Net income from discontinued operation	566	376	743	985	2,670
	\$ 7,991	\$ 13,989	\$ 12,634	\$ 12,114	\$ 46,728
Net income per common share — Basic					
Income from continuing operations	\$ 0.15	\$ 0.28	\$ 0.24	\$ 0.23	\$ 0.90
Income from discontinued operation	0.01	—	0.02	0.02	0.05
	\$ 0.16	\$ 0.28	\$ 0.26	\$ 0.25	\$ 0.95
Net income per common share — Diluted					
Income from continuing operations	\$ 0.15	\$ 0.26	\$ 0.23	\$ 0.22	\$ 0.86
Income from discontinued operation	0.01	0.01	0.02	0.02	0.06
	\$ 0.16	\$ 0.27	\$ 0.25	\$ 0.24	\$ 0.92

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

Not applicable.

ITEM 9 A. CONTROLS AND PROCEDURES

The Company's principal executive officer and principal financial officer have concluded that the effectiveness of the Company's disclosure controls and procedures (as defined in Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) or 15d-15(e)) was adequate as of the end of the period covered by this Annual Report on Form 10-K, based on the evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

No change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the Company's fourth fiscal quarter has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item regarding ABM's executive officers is included in Part I under "Executive Officers." The information required by this item regarding ABM's directors is incorporated by reference to the information set forth under the caption "Election of Directors" in the Proxy Statement to be used by ABM in connection with its 2004 Annual Meeting of Stockholders.

The information required by this item regarding ABM's audit committee financial expert is incorporated by reference to the information set forth under the caption "Audit Committee" in the Proxy Statement to be used by ABM in connection with its 2004 Annual Meeting of Stockholders. The information required by this item regarding compliance with Section 16(a) of the Exchange Act is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement to be used by ABM in connection with its 2004 Annual Meeting of Stockholders.

The Company has adopted and posted on its Website (www.abm.com) the ABM Code of Business Conduct & Ethics (the "Code of Ethics") that applies to all directors, officers and employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and Corporate Controller. If any amendments are made to the Code of Ethics or if any waiver, including any implicit waiver, from a provision of the Code of Ethics is granted to the Company's Chief Executive Officer, Chief Financial Officer or Corporate Controller, the Company will disclose the nature of such amendment or waiver on its Website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth under the captions "Executive Compensation" and "Further Information Concerning the Board of Directors" contained in the Proxy Statement to be used by ABM in connection with its 2004 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth under the caption "Principal Stockholders" contained in the Proxy Statement to be used by ABM in connection with its 2004 Annual Meeting of Stockholders.

Equity Compensation Plan Information as of October 31, 2003:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a)) (c)
Equity compensation plans approved by security holders	7,192,000	\$12.94	5,011,000(1)
Equity compensation plans not approved by security holders	—	—	—
Total	7,192,000	\$12.94	5,011,000

(1) This amount includes 86,000 shares of common stock available for issuance under the Company's Employee Stock Purchase Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the information set forth under the captions "Executive Compensation" and "Further Information Concerning the Board of Directors" contained in the Proxy Statement to be used by ABM in connection with the 2004 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the information set forth under the caption "Appointment of Auditors" contained in the Proxy Statement to be used by ABM in connection with the 2004 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this Form 10-K:

1. Consolidated Financial Statements of ABM Industries Incorporated and Subsidiaries:

Independent Auditors' Report

Consolidated Balance Sheets — October 31, 2003 and 2002

Consolidated Statements of Income — Years ended October 31, 2003, 2002 and 2001

Consolidated Statements of Stockholders' Equity and Comprehensive Income — Years ended October 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows — Years ended October 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements.

2. Consolidated Financial Statement Schedule of ABM Industries Incorporated and Subsidiaries:

Schedule II — Consolidated Valuation Accounts — Years ended October 31, 2003, 2002 and 2001.

All other schedules are omitted because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto.

The individual financial statements of the registrant's subsidiaries have been omitted since the registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are wholly-owned subsidiaries.

3. Exhibits:

See Exhibit Index.

(b) Reports on Form 8-K:

The Company filed a report on Form 8-K dated August 15, 2003 pursuant to Item 2, which announced the completion of the Company's sale of substantially all of the operating assets of its wholly-owned subsidiary, Amtech Elevator Services, Inc., a California corporation, to Otis Elevator Company, a New Jersey corporation and a wholly-owned subsidiary of United Technologies Corporation, pursuant to a Sale Agreement dated as of July 9, 2003.

The Company filed a report on Form 8-K dated September 9, 2003 pursuant to Item 5, which announced the declaration of its quarterly dividend and furnished in the same report pursuant to Item 12 its financial results related to the third quarter of fiscal year 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By:

/s/ Henrik C. Slipsager

Henrik C. Slipsager
President, Chief Executive Officer and Director
January 14, 2004

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

/s/ Henrik C. Slipsager

Henrik C. Slipsager,
President, Chief Executive Officer and Director
(Principal Executive Officer)
January 14, 2004

/s/ George B. Sundby

George B. Sundby
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)
January 14, 2004
/s/ Linda Chavez

/s/ Maria De Martini

Maria De Martini
Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)
January 14, 2004
/s/ Luke S. Helms

Linda Chavez, Director
January 14, 2004
/s/ Maryellen C. Herring

Luke S. Helms, Director
January 14, 2004
/s/ Charles T. Horngren

Maryellen C. Herring, Director
January 14, 2004
/s/ Henry L. Kotkins, Jr.

Charles T. Horngren, Director
January 14, 2004
/s/ Martinn H. Mandles

Henry L. Kotkins, Jr., Director
January 14, 2004

/s/ Theodore Rosenberg

Martinn H. Mandles
Chairman of the Board and Director
January 14, 2004
/s/ William W. Steele

Theodore Rosenberg, Director
January 14, 2004

William W. Steele, Director
January 14, 2004

Schedule II

CONSOLIDATED VALUATION ACCOUNTS

Years ended October 31, 2003, 2002 and 2001

(in thousands)	Balance Beginning of Year	Charges to Costs and Expenses	Write-offs Net of Recoveries	Balance End of Year
Allowance for Doubtful Accounts				
Years ended October 31,				
2003	\$5,543	6,544	(5,748)	\$6,339
2002	8,457	10,381	(13,295)	5,543
2001	8,238	5,389	(5,170)	8,457

Exhibit Index

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of ABM Industries Incorporated, dated November 25, 2003.
3.2	Bylaws, as amended June 10, 2003 (incorporated by reference to Exhibit No. 3.2 to the registrant's Form 10-Q Quarterly Report for the quarter ended July 31, 2003, File No. 1-8929).
4.1	Credit Agreement, dated as of June 28, 2002, among ABM Industries Incorporated, various financial institutions and Bank of America, N.A., as Administrative Agent, as amended through April 23, 2003 (incorporated by reference to Exhibit No. 4.1 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30, 2003, File No. 1-8929).
10.1†	1987 Stock Option Plan, as amended, effective December 19, 1995 (now known as "Time-Vested" Incentive Stock Option Plan) (incorporated by reference to Exhibit No. 10.13 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30, 1996, File No. 1-8929).
10.2	Rights Agreement, dated as of March 17, 1998, between the Company and Chase Mellon Shareholder Services, L.L.C., as Rights Agent (incorporated by reference to Exhibit No. 4.1 to the registrant's Form 8-K Current Report dated as of March 17, 1998, File No. 1-8929).
10.3†	Deferred Compensation Plan (incorporated by reference to Exhibit No. 10.28 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1993, File No. 1-8929).
10.4†	Form of Indemnification Agreement for Directors (incorporated by reference to Exhibit No. 10.20 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30, 1991, File No. 1-8929).
10.5†	1996 ABM Industries Incorporated Long-Term Senior Executive Stock Option Plan (now known as "1996 Price-Vested" Performance Stock Option Plan) (incorporated by reference to Exhibit No. 10.40 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30, 1997, File No. 1-8929).
10.6†	Amendment No. 2 to the ABM Industries Incorporated 1987 Incentive Stock Option Plan (December 19, 1994 Restatement) Plan (now known as "Time-Vested" Incentive Stock Option Plan) (incorporated by reference to Exhibit No. 10.48 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.7†	Amendment No. 3 to the "Time-Vested" Incentive Stock Option Plan (incorporated by reference to Exhibit No. 10.49 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.8†	Amendment No. 4 to the ABM Industries Incorporated "Time-Vested" Incentive Stock Option Plan (December 19, 1995 Restatement) (incorporated by reference to Exhibit No. 10.50 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.9†	Amendment No. 1 to the Long-Term Senior Executive Incentive Stock Option Plan Adopted December 1996 (now known as "1996 Price-Vested" Performance Stock Option Plan) (incorporated by reference to Exhibit No. 10.54 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.10†	Amendment No. 2 to the "Price-Vested" Performance Stock Option Plan (now known as "1996 Price-Vested" Performance Stock Option Plan) (incorporated by reference to Exhibit No. 10.55 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.11†	Amendment No. 3 to the ABM Industries Incorporated "Price-Vested" Performance Stock Option Plan (now known as "1996 Price-Vested" Performance Stock Option Plan) (incorporated by reference to Exhibit No. 10.56 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 1999, File No. 1-8929).
10.12†	Employee Stock Purchase Plan (as amended through May 1, 2000) (incorporated by reference to Exhibit No. 10.59 to the registrant's Form 10-Q Quarterly Report for the quarter ended January 31, 2001, File No. 1-8929).
10.13†	Amendment No. 1 to Employee Stock Purchase Plan (May 2000 Restatement) (incorporated by reference to Exhibit No. 10.60 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30 2001, File No. 1-8929).
10.14†	2002 Price-Vested Performance Stock Option Plan (incorporated by reference to Exhibit No. 10.69 to the registrant's Form 10-Q Quarterly Report for the quarter ended April 30 2002, File No. 1-8929).
10.15†	Agreement with Martinn H. Mandles (incorporated by reference to Exhibit No. 10.71 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 2002, File No. 1-8929).
10.16	First Amendment to Rights Agreement, dated as of May 6, 2002, between ABM Industries Incorporated and Mellon Investor Services LLC, as successor Rights Agent (incorporated by reference to Exhibit No. 10.77 to the registrant's Form 10-K Annual Report for the fiscal year ended October 31, 2002, File No. 1-8929).
10.17†	Service Award Plan amended as of January 1, 2003.
10.18†	Form of Stock Option Agreement Under 2002 Price-Vested Performance Stock Option Plan.
10.19†	1984 Executive Stock Option Plan as amended and restated December 9, 2003 (now known as "Age-Vested" Career Stock Option Plan).
10.20†	Supplemental Executive Retirement Plan as amended and restated December 9, 2003.
10.21†	Form of Corporate Executive Employment Agreement with other than those specifically named.
10.22†	Corporate Executive Employment Agreement with Henrik C. Slipsager as of November 1, 2003.
10.23†	Corporate Executive Employment Agreement with Jess E. Benton, III, as of November 1, 2003.
10.24†	Corporate Executive Employment Agreement with James P. McClure as of November 1, 2003.
10.25†	Corporate Executive Employment Agreement with George B. Sundby as of November 1, 2003.
10.26†	Corporate Executive Employment Agreement with Steven M. Zaccagnini as of November 1, 2003.
10.27†	Form of Non-Employee Director Retirement Benefit Agreement.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Auditors.
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

† Management contract, compensatory plan or arrangement.

RESTATED CERTIFICATE OF INCORPORATION
OF
ABM INDUSTRIES INCORPORATED
A Delaware Corporation

ABM Industries Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: The name of the Corporation is ABM Industries Incorporated and the name under which the Corporation was originally incorporated was American Building Maintenance Industries, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of Delaware on March 19, 1985.

SECOND: The Restated Certificate of Incorporation of ABM Industries Incorporated in the form attached hereto as Exhibit A restates and integrates but does not further amend the Certificate of Incorporation of ABM Industries Incorporated, and there is no discrepancy between the provisions of the Corporation's Certificate of Incorporation as heretofore amended or supplemented and the provisions of the Restated Certificate of Incorporation attached hereto, which has been duly adopted in accordance with the provisions of Sections 141(f) and 245 of the General Corporation Law of the State of Delaware by unanimous written consent of the board directors of the Corporation on October 28, 2003.

THIRD: The Restated Certificate of Incorporation so adopted reads in full as set forth in Exhibit A attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, we have hereunto set our hands as President and Chief Executive Officer and Secretary, respectively, of ABM Industries Incorporated and hereby affirm under penalties of perjury that the foregoing is our act and deed and the facts herein stated are true, and accordingly have hereunto set forth our hands this 25th day of November, 2003.

/s/ Henrik C. Slipsager

Henrik C. Slipsager
President and Chief Executive Officer

ATTEST: /s/ Linda S. Auwers

Linda S. Auwers, Secretary

RESTATED CERTIFICATE OF INCORPORATION
OF
ABM INDUSTRIES INCORPORATED

FIRST: The name of this corporation is: ABM Industries Incorporated.

SECOND: The address of the registered office of the corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

THIRD: (omitted)

FOURTH: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FIFTH: (a) The corporation is authorized to issue two classes of shares to be designated, respectively, "Preferred Stock" and "Common Stock." The number of shares of Preferred Stock authorized to be issued is Five Hundred Thousand (500,000) and the number of shares of Common Stock authorized to be issued is One Hundred Million (100,000,000). The stock, whether Preferred Stock or Common Stock, shall have a par value of \$0.01 per share.

(b) The shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors is authorized, by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof, including but not limited to the fixing or alteration of the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preferences of any wholly unissued series of shares of Preferred Stock; and to increase or decrease the number of shares of any series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

A Certificate of Designation heretofore adopted is attached as Attachment 1.

SIXTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind from time to time any or all of the by-laws of the corporation; including by-law amendments increasing or reducing the authorized number of directors. In addition, new by-laws may be adopted or the by-laws may be amended or repealed by a vote of not less than seventy percent (70%) of the outstanding stock of the corporation entitled to vote thereon.

EXHIBIT 3.1

SEVENTH: (a) The number of directors which shall constitute the whole Board of Directors of this corporation shall be as specified in the by-laws of this corporation, subject to the provisions of Article SIXTH hereof and this Article SEVENTH.

(b) The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III, which shall be as nearly equal in number as possible. Each director shall serve for a term ending on the date of the third annual meeting of stockholders following the annual meeting at which the director was elected; provided, however, that each initial director in Class I shall hold office until the annual meeting of stockholders in 1986; each initial director in Class II shall hold office until the annual meeting of stockholders in 1987; and each initial director in Class III shall hold office until the annual meeting of stockholders in 1988. Notwithstanding the foregoing provisions of this Article, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal.

(c) In the event of any increase or decrease in the authorized number of directors, (1) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his earlier resignation, removal from office or death, and (2) the newly created or eliminated directorship resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to maintain such classes as nearly equal as possible.

EIGHTH: No action shall be taken by the stockholders except at an annual or special meeting of stockholders. No action shall be taken by stockholders by written consent.

NINTH: Special meetings of the stockholders of this corporation for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the by-laws of this corporation, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

TENTH: 1. The affirmative vote of the holders of not less than seventy percent (70%) of the outstanding shares of "Voting Stock" (as hereinafter defined) shall be required for the approval or authorization of any "Business Combination" (as hereinafter defined) of this corporation or any subsidiary of this corporation with any "Related Person" (as hereinafter defined), notwithstanding the fact that no vote may be required or that a lesser percentage may be specified by law, in any agreement with any national securities exchange or otherwise; provided, however, that the seventy percent (70%) voting requirement shall not be applicable and such Business Combination shall require only such affirmative vote as is required by law, any agreement with any national securities exchange or otherwise if:

(a) The "Continuing Directors" (as hereinafter defined) of this corporation by at least a majority vote have expressly approved such Business Combination either in advance of or subsequent to such Related Person becoming a Related Person; or

(b) All of the following conditions are met:

EXHIBIT 3.1

(i) The cash or "Fair Market Value" (as hereinafter defined) as of the date of the consummation of the Business Combination (the "Combination Date") of the property, securities or other consideration to be received per share by holders of a particular class or series of capital stock, as the case may be, of this corporation in the Business Combination is not less than the highest of:

(A) the highest per share price (including brokerage commissions, transfer taxes and soliciting dealers' fees) paid by or on behalf of the Related Person in acquiring beneficial ownership of any of its holdings of such class or series of capital stock of this corporation (i) within the two-year period immediately prior to the Combination Date or (ii) in the transaction or series of transactions in which the Related Person became a Related Person, whichever is higher; or

(B) the Fair Market Value per share of the shares of capital stock being acquired in the Business Combination (i) as the Combination Date or (ii) the date on which the Related Person became a Related Person, whichever is higher; or

(C) in the case of Common Stock, the per share book value of the Common Stock as reported at the end of the fiscal quarter immediately prior to the Combination Date, and in the case of Preferred Stock, the highest preferential amount per share to which the holders of shares of such class or series of Preferred Stock would be entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, regardless of whether the Business Combination to be consummated constitutes such an event.

The provision of this paragraph 1(b)(i) shall be required to be met with respect to every class or series of outstanding capital stock, whether or not the Related Person has previously acquired any shares of a particular class or series of capital stock. In all of the above instances, appropriate adjustments shall be made for recapitalizations and for stock dividends, stock splits and like distributions; and

(ii) The consideration to be received by holders of a particular class or series of capital stock shall be in cash or in the same form as previously has been paid by or on behalf of the Related Person in connection with its direct or indirect acquisition of beneficial ownership of shares of such class or series of stock. If the consideration so paid for any such share varied as to form, the form of consideration for such shares shall be either cash or the form used to acquire beneficial ownership of the largest number of shares of such class or series of capital stock previously acquired by the Related Person; and

(iii) After such Related Person has become a Related Person and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision

of the Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) such Related Person shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Related Person becoming a Related Person; and

(iv) After such Related Person has become a Related Person, such Related Person shall not have received the benefit, directly or indirectly (except as proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the corporation, whether in anticipation of or in connection with such Business Combination or otherwise; and

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

2. For purposes of this Article Tenth:

(a) The term "Business Combination" shall mean any (i) merger or consolidation of this corporation or a Subsidiary (as hereinafter defined) of this corporation with a Related Person or any other corporation which is or after such merger or consolidation would be an "Affiliate" or "Associate" (as hereinafter defined) of a Related Person, (ii) sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) with any Related Person or any Affiliate or Associate of any Related Person, of all or any "Substantial Part" (as hereinafter defined) of the assets of this corporation or of a Subsidiary of this corporation to a Related Person or any Affiliate or Associate of any Related Person, (iii) adoption of any plan or proposal for the liquidation or dissolution of this corporation proposed by or on behalf of a Related Person or any Affiliate or Associate of any Related Person, (iv) sale, lease, exchange or other disposition, including without limitation a mortgage or other security device, of all or any Substantial Part of the assets of a Related Person or any Affiliate or Associate of any Related Person to this corporation or a Subsidiary of this corporation, (v) issuance or pledge of securities of this corporation or a Subsidiary of this corporation to or with a Related Person or any Affiliate or Associate of any Related Person, (vi) reclassification of securities (including any reverse stock split) or recapitalization of this corporation or any other transaction that would have the effect, either directly or indirectly, of increasing the proportionate share of any class of equity or convertible securities of this corporation or any subsidiary of this corporation which is directly or indirectly beneficially owned by any Related Person or any Affiliate or Associate of any Related Person, and (vii) agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

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(b) The term "person" shall mean any individual, firm, corporation or other entity and shall include any group comprised of any person and any other person with whom such person or any Affiliate or Associate of such person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Voting Stock of this corporation.

(c) The term "Related Person" shall mean any person (other than this corporation, or any Subsidiary and other than any profit-sharing, employee stock ownership or other employee benefit plan of this corporation or any Subsidiary or any trustee of or fiduciary with respect to any such plan when acting in such capacity) who or which:

(i) is the beneficial owner (as hereinafter defined) of ten percent (10 %) or more of the Voting Stock;

(ii) is an Affiliate or Associate of this corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner of ten percent (10%) or more of the Voting Stock; or

(iii) is an assignee of or has otherwise succeeded to the beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to such time beneficially owned by any Related Person, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(d) A person shall be a "beneficial owner" of any Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such person or any of its Affiliates or Associates has, directly or indirectly, (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(e) For the purposes of determining whether a person is a Related Person pursuant to sub-paragraph (c) of this paragraph 2, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of sub-paragraph (d) of this paragraph 2 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or option, or otherwise.

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(f) The terms "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1985.

(g) The term "Subsidiary" means any corporation of which a majority of any class of equity securities is owned, directly or indirectly, by this corporation; provided, however, that for the purposes of the definition of Related Person set forth in sub-paragraph (c) of this paragraph 2, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity securities is owned, directly or indirectly, by this corporation.

(h) The term "Continuing Director" means any member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Affiliate, Associate or a representative of the Related Person involved in a proposed Business Combination and was a member of the Board of Directors prior to the time that the Related Person became a Related Person, and any successor of a Continuing Director, while such successor is a member of the Board of Directors, who is not an Affiliate, Associate or a representative of the Related Person and is recommended or elected to succeed a Continuing Director by a majority of Continuing Directors. Each initial director of this corporation elected by the incorporator of this corporation shall be a Continuing Director for purposes of this Article Tenth.

(i) The term "Substantial Part" shall mean more than twenty percent (20%) of the Fair Market Value, as determined by a majority of the Continuing Directors, of the total consolidated assets of this corporation and its Subsidiaries taken as a whole as of the end of its most recent fiscal year ended prior to the time the determination is being made.

(j) For the purposes of paragraph 1(b) (i) of this Article Tenth, the term "other consideration to be received" shall include, without limitation, capital stock retained by the shareholders.

(k) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock and the outstanding shares of Preferred Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares voting as one class.

(l) The term "Fair Market Value" means: (i) in case of capital stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such stock exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any successor system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Continuing Directors; and (ii) in the case of

EXHIBIT 3.1

property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Continuing Directors.

(m) A Related Person shall be deemed to have acquired a share of the Voting Stock of this corporation at the time when such Related Person became the beneficial owner thereof. If a majority of the Continuing Directors is not able to determine the price at which a Related Person has acquired a share of Voting Stock of this corporation, such price shall be deemed to be the Fair Market Value of the shares in question at the time when the Related Person becomes the beneficial owner thereof. With respect to shares owned by Affiliates, Associates or other persons whose ownership is attributed to a Related Person under the foregoing definition of Related Person, the price deemed to be paid therefor by such Related Person shall be the price paid upon the acquisition thereof by such Affiliate, Associate or other person, or, if such price is not determinable by a majority of the Continuing Directors, the Fair Market Value of the shares in question at the time when the Affiliate, Associate, or other such person became the beneficial owner thereof.

3. The fact that any Business Combination complies with the provisions of paragraph 1(b) of this Article Tenth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Combination or recommend its adoption or approval to the shareholders of this corporation, nor shall such compliance limit, prohibit or otherwise restrict in any manner the Board of Directors, or any member thereof, with respect to evaluations of or actions and responses taken with respect to such Business Combination.

4. A majority of the Continuing Directors of the corporation shall have the power and duty to determine for the purposes of this Article Tenth, on the basis of information known to them after reasonable inquiry, (A) whether a person is a Related Party, (B) the number of shares of Voting Stock beneficially owned by any person, and (C) whether a person is an Affiliate or Associate of another. A majority of the Continuing Directors of the corporation shall have the further power to interpret all of the terms and provisions of this Article Tenth.

ELEVENTH: Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the by-laws of this corporation.

TWELFTH: (a) Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office (and not by Stockholders), even though less than a quorum of the Board of Directors. Any Director elected in accordance with the preceding sentence shall hold office until the next election of directors by the stockholders and until such director's successor shall have been elected and qualified. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent director.

(b) Any director may be removed from office by the affirmative vote of the holders of 70% of the outstanding stock of the corporation entitled to vote generally in the election of directors, provided that such removal is for cause.

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THIRTEENTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles SIXTH, SEVENTH, EIGHTH, NINTH, TENTH, ELEVENTH, TWELFTH and this Article THIRTEENTH may not be repealed or amended in any respect unless such repeal or amendment is approved by the affirmative vote of not less than seventy percent (70 %) of the total voting power of all outstanding shares of stock in this corporation entitled to vote thereon.

FOURTEENTH: No director of the corporation shall be personally liable to the corporation or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director shall be liable under Section 174 of the General Corporation Law of the State of Delaware or any amendment thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, such director (i) shall have breached the duty of loyalty to the corporation or its stockholders, (ii) shall not have acted in good faith, or, in failing to act, shall not have acted in good faith, (iii) shall have acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law or (iv) shall have derived an improper personal benefit. Neither the amendment nor repeal of this Article Fourteenth, nor the adoption of any provision of this certificate of incorporation inconsistent with this Article Fourteenth, shall eliminate or reduce the effect of this Article Fourteenth in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article Fourteenth would accrue or arise, prior to such amendment repeal or adoption of an inconsistent provision.

CERTIFICATE OF DESIGNATION AND TERMS
OF PARTICIPATING PREFERRED STOCK
OF
ABM INDUSTRIES INCORPORATED

Pursuant to Section 151 of the General
Corporation Law of the State of Delaware

We, the undersigned, William W. Steele and Harry H. Kahn, the
President and Secretary, respectively, of ABM Industries Incorporated, a
Delaware corporation (the "Corporation"), do hereby certify as follows:

Pursuant to authority granted by Article Fifth of the
Certificate of Incorporation, as amended, of the Corporation and in accordance
with the provisions of Section 151 of the General Corporation Law of the State
of Delaware, the Board of Directors of the Corporation has adopted the following
resolutions fixing the designation and certain terms, powers, preferences and
other rights of a new series of the Corporation's Preferred Stock, par value
\$.01 per share, and certain qualifications, limitations and restrictions
thereon:

RESOLVED, that there is hereby established a series
of Preferred Stock, par value \$.01 per share, of the Corporation, and
the designation and certain terms, powers, preferences and other rights
of the shares of such series, and certain qualifications, limitations
and restrictions thereon, are hereby fixed as follows:

(i) The distinctive serial designation of this series
shall be "Participating Preferred Stock" (hereinafter called
"this Series"). Each share of this Series shall be identical
in all respects with the other shares of this Series except as
to the dates from and after which dividends thereon shall be
cumulative.

(ii) The number of shares in this Series shall
initially be 50,000, which number may from time to time be
increased or decreased (but not below the number then
outstanding) by the Board of Directors. Shares of this Series
purchased by the Corporation shall be cancelled and shall
revert to authorized but unissued shares of Preferred Stock
undesignated as to series. Shares of this Series may be issued
in fractional shares, which fractional shares shall entitle
the holder, in proportion to such holder's fractional share,
to all rights of a holder of a whole share of this Series.

(iii) The holders of full or fractional shares of
this Series shall be entitled to receive, when and as declared
by the Board of Directors, but only out of funds legally
available therefor, dividends, (A) on each date that dividends
or other distributions (other than dividends or distributions
payable in Common Stock of the Corporation) are payable on or
in respect of Common Stock comprising part of the Reference
Package (as defined below), in an amount per whole share of
this Series equal to the aggregate amount of dividends or
other

distributions (other than dividends or distributions payable in Common Stock of the Corporation) that would be payable on such date to a holder of the Reference Package (as hereinafter defined) and (B) on the last day of March, June, September and December in each year, in an amount per whole share of this Series equal to the excess (if any) of \$2.50 over the aggregate dividends paid per whole share of this Series during the three month period ending on such last day. Each such dividend shall be paid to the holders of record of shares of this Series on the date, not exceeding sixty days preceding such dividend or distribution payment date, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend or distribution. Dividends on each full and each fractional share of this Series shall be cumulative from the date such full or fractional share is originally issued; provided that any such full or fractional share originally issued after a dividend record date and on or prior to the dividend payment date to which such record date relates shall not be entitled to receive the dividend payable on such dividend payment date or any amount in respect of the period from such original issuance to such dividend payment date.

The term "Reference Package" shall initially mean 1,000 shares of Common Stock, \$.01 par value per share ("Common Stock"), of the Corporation. In the event the Corporation shall at any time after the close of business on April 22, 1998 (A) declare of pay a dividend on any Common Stock payable in Common Stock, (B) subdivide any Common Stock or (C) combine any Common Stock into a smaller number of shares, then and in each such case the Reference Package after such event shall be the Common Stock that a holder of the Reference Package immediately prior to such event would hold thereafter as a result thereof.

Holders of shares of this Series shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided on this Series.

So long as any shares of this series are outstanding, no dividends (other than a dividend in Common Stock or in any other stock ranking junior to this Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock ranking junior to this Series as to dividends or upon liquidation, nor shall any Common Stock nor any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation), unless, in each case, the full cumulative dividends (including the dividend to be due upon payment of such dividend, distribution, redemption, purchase or other acquisition) on all outstanding shares of this Series shall have been, or shall contemporaneously be, paid.

(iv) In the event of any merger, consolidation, reclassification or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of this Series shall at the same time be similarly exchanged or changed in an amount per whole share equal to the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, that a holder of the Reference Package would be entitled to receive as a result of such transaction.

(v) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of full and fractional shares of this Series shall be entitled, before any distribution or payment is made on any date to the holders of the Common Stock or any other stock of the Corporation ranking junior to this Series upon liquidation, to be paid in full an amount per whole share of this Series equal to the greater of (A) \$100 or (B) the aggregate amount distributed or to be distributed prior to such date in connection with such liquidation, dissolution or winding up to a holder of the Reference Package (such greater amount being hereinafter referred to as the "Liquidation Preference"), together with accrued dividends to such distribution or payment date, whether or not earned or declared. If such payment shall have been made in full to all holders of shares of this Series, the holders of shares of this Series as such shall have no right or claim to any of the remaining assets of the Corporation.

In the event the assets of the Corporation available for distribution to the holders of shares of this Series upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to the first paragraph of this Section (v), no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series upon such liquidation, dissolution or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series, ratably in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such liquidation, dissolution or winding up.

Upon the liquidation, dissolution or winding up of the Corporation, the holders of shares of this Series then outstanding shall be entitled to be paid out of assets of the Corporation available for distribution to its Stockholders all amounts to which such holders are entitled pursuant to the first paragraph of this Section (v) before any payment shall be made to the holders of Common Stock or any other stock of the Corporation ranking junior upon liquidation to this Series.

For the purposes of this Section (v), the consolidation or merger of, or binding share exchange by, the Corporation with any other corporation shall not

EXHIBIT 3.1

be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

(vi) The shares of this Series shall not be redeemable.

(vii) In addition to any other vote or consent of Stockholders required by law or by the Restated Certificate of Incorporation, as amended, of the Corporation, each whole share of this Series shall, on any matter, vote as a class with any other capital stock comprising part of the Reference Package and voting on such matter and shall have the number of votes thereon that a holder of the Reference Package would have.

IN WITNESS WHEREOF, the undersigned have signed and attested this certificate on the 17th day of March, 1998.

/s/ William W. Steele

President

William W. Steele

Attest:

/s/ Harry H. Kahn

Secretary

Harry H. Kahn

ABM INDUSTRIES INCORPORATED
SERVICE AWARD BENEFIT PLAN
AS AMENDED AS OF JANUARY 1, 2003

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ABM INDUSTRIES INCORPORATED

SERVICE AWARD BENEFIT PLAN

ARTICLE 1

NAME, EFFECTIVE DATE, PURPOSE AND CONSTRUCTION

1.1 Plan Name

The Plan set forth in this document shall be designated the ABM Industries Incorporated Service Award Benefit Plan.

1.2 Effective Date

The Effective Date of this Plan was November 1, 1989. This document reflects amendments and changes made through January 1, 1991.

1.3 Purpose

The Plan is intended to qualify as a severance pay plan described in Department of Labor Regulations 2510.3-1 (a) (2) and 2510.3-2 (b) and is intended to be treated as a employee welfare plan under ERISA. The Plan is intended to provide benefits to terminating employees based upon their loyal and dedicated service to the Company and its Affiliates.

1.4 Construction

The following miscellaneous provisions shall apply in the construction of this Plan document:

(a) State Jurisdiction

All matters respecting the validity, effect, interpretation and administration of this Plan shall be determined in accordance with the laws of the State of California except where preempted by ERISA or other federal statutes.

(b) Gender

Wherever appropriate, words used in the singular may include the plural or the plural may be read as the singular, the masculine may include the feminine, and the neuter may include both the masculine and the feminine.

(c) Application of References to Law

All references to sections of ERISA, or the Internal Revenue Code, other federal or state statutes, any regulations or rulings thereunder, shall be deemed to refer to such sections as they may subsequently be modified, amended, replaced or amplified by any federal statutes, regulations or rulings of similar application and import enacted by the Government of the United States, any duly authorized agency of the United States Government, any State Government or duly authorized agency thereunder.

(d) Enforceable Provisions Remain Effective

If any provision of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Plan shall continue to be fully effective.

(e) Headings

Headings are inserted for reference only and constitute no part of the construction of this Plan.

1.5 Employment Relationship Not Affected

Nothing in this Plan document shall be deemed a contract between the Employer and any Employee, nor shall the rights or obligations of the Employer or any Employee to continue or terminate employment at any time be affected hereby.

ARTICLE 2

DEFINITIONS

- 2.1 "Account" means the aggregate of all records maintained by the Committee for purposes of determining a Participant's or Beneficiary's benefits under the Plan.
- 2.2 "Affiliated Employer" means any corporation which is so designated by the Board, which may include any corporation or business determined to be affiliated under Code Section 414 or any other corporation or business which is affiliated to some degree with the Employer.
- 2.3 "Award Date" means October 31, 1990, each succeeding October 31 and any other date elected by the Board at its discretion. Effective January 1, 1991, "Award Date" shall mean December 31, 1991 and each succeeding December 31.
- 2.4 "Beneficiary" means any person designated by a Participant.
- 2.5 "Board" shall mean the Board of Directors of the Employer.
- 2.6 "Code" means the Internal Revenue code of 1986, as amended (and regulations issued thereunder).
- 2.7 "Committee" means the Administrative Committee designated under Article 9.
- 2.8 "Compensation" for any calendar year means all amounts paid to the Employee and reported as wages on the Employee's form W-2 for the year for services rendered for the Employer or Affiliated Employers during the calendar year, and all amounts which an Employee elected to have the Employer or Affiliated Employer contribute on his behalf to the ABM 401(k) and Profit Sharing Plan or the ABM Deferred Compensation Plan for the calendar year. Compensation in excess of \$175,000 shall not be considered in the calculation of benefits; provided, however, the \$175,000 limit shall not replace any limit in place for any year prior to 1996 under this Plan.
- 2.9 "Date of Eligibility" shall mean (1) for Eligible Employees hired after October 31, 1989, the date on which the Employee first performs any service for the Employer, (2) for Eligible Employees employed on or before October 31, 1989, November 1, 1989. Effective January 1, 1992, "Date of Eligibility" shall mean the January 1 following the date on which the Employee has Compensation in excess of \$50,000, or such other dollar amount as the Committee may from time to time announce.
- 2.10 "Date of Hire" shall mean the date on which the Employee becomes an employee of the Employer or an Affiliated Employer within the meaning of Code Section 3121(d).

- 2.11 "Disability" shall mean the permanent incapacity of a Participant, by reason of physical or mental illness, to perform his usual duties for the Employer, resulting in termination of his service with the Employer or any Affiliated Employer. Disability shall be determined by the Committee in a uniform and nondiscriminatory manner after consideration of such evidence as it may require, which shall include a report of such physician or physicians as it may designate.
- 2.12 "Eligible Employee" shall have the meaning as defined in Article 3.
- 2.13 "Eligible Participant" shall mean:
- (a) An Eligible Employee who was employed continuously throughout the Fiscal Year, or
 - (b) an Eligible Employee who terminated employment during the Fiscal Year due to death, disability or after having reached his Normal Retirement Date.
- 2.14 "Employee" means any person considered under the rules of common law or appropriate statute to be employed by the Employer or an Affiliated Employer, except:
- (a) Employees whose wages are determined by collective bargaining agreements,
 - (b) Employee Employees who are receiving pension contributions under a union retirement plan, and
 - (c) Contract workers of the Employer or an Affiliated Employer who are employed to perform principally manual work, including but not limited to elevator operator, janitor, security worker, guard, window washer, stationary engineer, painter, warehouseman, driver, parking attendant, mechanic, electrician, laundry worker or service technician.
- 2.15 "Employer" means ABM Industries Incorporated, a Delaware corporation, and such of its successors or assigns as may expressly adopt this Plan and agree in writing to continue this Plan.
- 2.16 "Entry Date" means November 1, 1989, and each succeeding November 1. Effective January 1, 1991, "Entry Date" means January 1 and each succeeding January 1.
- 2.17 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- 2.18 "Fiscal Year" means the accounting year of the Plan, which is the 12-month period ending October 31. Effective January 1, 1991, "Fiscal year" means the 12-month period ending December 31.
- 2.19 "Normal Retirement Date" means the date of the Participant's 62nd birthday.
- 2.20 "Participant" means any Employee who has entered the Plan and been credited with Service Award Benefits but has not yet had such benefits distributed.

- 2.21 "Plan" means the arrangement created by this document.
- 2.22 "Plan Administrator" means the Administrative Committee, discussed in Article 9.
- 2.23 "Restricted Employee" shall mean all officers, managers and sales persons of the Employer or an Affiliated Employer.
- 2.24 "Service Award Benefit" means the benefit calculated under Section 4.2.

ARTICLE 3

ELIGIBILITY, PARTICIPATION AND BENEFICIARY DESIGNATION

3.1 Definitions

- (a) "Eligible Employee" means any Employee of the Employer or an Affiliated Employer whose Compensation is \$50,000 or greater in any calendar year. The \$50,000 dollar amount may be adjusted from time to time as the Plan Administrator may deem necessary. The foregoing notwithstanding, an Employee shall not be an Eligible Employee during any Fiscal Year the Employee is also eligible to receive contributions under or make 401(k) contributions to the ABM 401(k) and Profit Sharing Plan.

3.2 Participation

(a) Initial Participants

Employees who are Eligible Employees as of October 31, 1989 shall become Participants as of November 1, 1989.

(b) Newly Hired Employees

Employees who are hired after October 31, 1989, shall become Participants as of the first November 1, or such earlier date, after certification by the Committee that the Employee is an Eligible Employee. Employees hired after January 1, 1991 shall become Participants as of the first January 1, or such earlier date, after certification by the Committee that the Employee is an Eligible Employee.

(c) Other Employees

Other Employees shall become Participants as of the first November 1, or such earlier date, after certification by the Committee that the Employee is an Eligible Employee. Effective January 1, 1991, the November 1 participation date in this Article shall be changed to January 1.

(d) Rehired Employees

A rehired Employee shall be treated as an Employee hired after October 31, 1989, unless the Employee was a Participant in the Plan. Section 2.16 of the Plan notwithstanding, former Plan Participants shall renew their participation in the Plan as of the July 1 or January 1 coinciding with or next following their date of rehire provided they are otherwise eligible for the Plan.

3.3 Beneficiary Designation

(a) Designation Procedure

Each Eligible Employee, upon becoming a Participant shall designate a Beneficiary or Beneficiaries to receive benefits under the Plan after his death. A Participant may change his beneficiary designation at any time. Each beneficiary designation shall be in a form prescribed by the Committee and will be effective only when filed with the Committee during the Participant's lifetime. Each beneficiary designation filed with the Committee will cancel all previously filed Beneficiary designations.

(b) Lack of Designation

In the absence of a valid designation, the Participant's benefits under the Plan shall be distributed to the Participant's surviving spouse, or if there is no surviving spouse to the Participant's estate.

3.4 Committee Determines Eligibility

Compliance with the eligibility requirements shall be determined by the Committee, which shall also inform each Eligible Employee of his becoming a Participant. The Committee shall provide each participant with a summary plan description in compliance with ERISA and regulations thereunder.

ARTICLE 4

BENEFITS

4.1 Credits for Service Award Benefits

- (a) On each Award Date, commencing October 31, 1990, the Board shall Credit the Account of each Eligible Participant with 7 days, to be used in the calculation of Benefits under Article 4.2. For the short Fiscal Year beginning October 1, 1991 and ending December 31, 1991, the Board shall determine the number of days to be credited to each Eligible Participant, if any.
- (b) In addition to (a) above, on each Award Date, commencing October 31, 1990, the Board may, in it's sole discretion, designate an additional number of days to be credited to the Account of each Eligible Participant.
- (c) If an employee reenters the Plan on July 1 of any year, the Employee/Participant shall be to 1/2 the number of days awarded under (a) and (b) above to other Employees who participated for the entire year.

4.2 Calculation of Service Award Benefit

Upon termination of employment, the Committee shall determine the benefit payable to the Participant. The benefit shall be equal to the number of days credited to the Account of the eligible Employee multiplied by the average annual Compensation received in the three full calendar years of full-time employment preceding the year of termination converted to a daily rate of pay. For purposes of this calculation, a year shall consist of 260 days.

4.3 Limitation on Benefits

In no event shall the benefits payable under this Plan combined with the benefits under the severance pay plan of the Employer, as described in Chapter 3, III, (b) of the ABMI Personnel Policy and Procedure Manual, as it may be amended or revised from time to time, exceed two times the Compensation received by the Participant in the twelve month period preceding the Participant's termination from employment.

ARTICLE 5

FORFEITURES OF BENEFITS

5.1 Forfeiture for Short Service

A Participant who terminates employment prior to completing 5 full years of service, measured from the Employee's Date of Hire, for the Employer or an Affiliated Employer shall forfeit all benefits under this Plan. A Participant will be credited with one year of service for each 12 month period of continuous employment with the Employer or an Affiliated Employer.

5.2 Exceptions

(a) Death

Notwithstanding Article 5.1 above, a Participant's benefits under this Plan shall not be forfeitable if the termination of employment is due to the death of the Participant.

(b) Disability

Notwithstanding Article 5.1 above, a Participant's benefits under this Plan shall not be forfeitable upon a finding by the Committee that the Participant's termination of employment is due to Disability defined in Article 2.11.

(c) Normal Retirement

Notwithstanding Article 5.1 above, a Participant's benefits under this Plan shall not be forfeited if the Participant's termination occurs after the Participant's Normal Retirement Date under this Plan.

(d) Notwithstanding Article 5.1 above, if a Participant's employment is terminated by action of the Employer as part of the divestiture of Amtech Elevator Services, the Participant's Account under the Plan shall become fully vested on the closing of the divestiture transaction.

5.3 Unallocatable Participants

If all or any portion of a Participant's benefits become payable under this Plan, and the Committee after a reasonable search cannot locate the Participant or his Beneficiary (if such Beneficiary is entitled to payment) the Account shall be Forfeited as of the end of the third Fiscal Year following the Participant's termination from employment.

5.4 Forfeiture for Cause

A Participant who is terminated from employment because of theft, defalcation, or embezzlement from the Employer, an Affiliated Employer, or a customer or client of either the Employer or an Affiliated Employer, shall forfeit all benefits under this Plan.

ARTICLE 6

PARTICIPANTS ACCOUNTS

6.1 Service Award Account

The Committee shall maintain an accounting of the number of days and weeks, or portions thereof, awarded to each Participant along with a record of the Compensation received by the Participant for the current calendar year and the two preceding calendar years.

6.2 Statement of Accounts

At least annually, the Committee will provide the Participant with a statement of the status of the Participant's Account and the record of Compensation in that Account. In the event of any error, the Participant is entitled to request the Committee to correct either the number of days or weeks credited, or the Compensation credited.

ARTICLE 7

DISTRIBUTION OF BENEFITS

7.1 General

Benefits under the Plan are paid solely from the assets of the Employer. This Plan document grants the Participants no greater right to the assets of the Employer and Affiliated Employers than that enjoyed by any unsecured creditor of the Employer and Affiliated employers.

7.2 Administrative Rules

(a) Authority

Distributions to Participants shall be made only in accordance with the directions of the Committee, which shall be governed by the terms of this Plan documents.

(b) Claims

A Participant's Beneficiary has the right to file a claim for benefits as set forth in Article 9.7.

7.3 Timing and Amount of Distributions

(a) Restricted Employees

A Participant who is a Restricted Employee shall receive his benefits in two payments from the Plan. The first payment, equal to 1/2 of the total benefit due, will be made in the eleventh month following the Participant's termination from employment. The second payment, equal to 1/2 of the total benefit due, will be made no later than the last day of the 23rd month following the Participant's termination from employment. In the event the Employer or Affiliated Employer sells, closes or otherwise disposes of a subsidiary, division or other operating unit which is engaged in a type or line of business in which the Employer or an Affiliated Employer no longer wishes to engage, the Committee shall direct that the Accounts of Restricted Employees shall be payable in one lump sum as soon as administratively possible after the close of the transaction, provided that such payments will not violate any provision of the Code.

(b) Other Participants

A participant, who is not a Restricted Employee, shall receive his benefits in two payments from the Plan. The first payment, equal to 1/2 of the total benefits, will be paid as soon as administratively possible following the termination of employment by the Participant. The second payment, equal to 1/2 of the total benefits, will be paid in the thirteenth month following the Participant's termination from employment.

(c) Exceptions

The Committee, in its sole discretion, may waive the rules in (a) and (b) in the event of death or Disability of the Participant, or if the Participant, whether a Restricted Employee or not, retires after attaining his Normal Retirement Date. Notwithstanding the foregoing, if the benefit is \$5000 or less, the Committee may

make a single lump sum payment to the Participant as soon as administratively feasible.

ARTICLE 8

FIDUCIARY RESPONSIBILITY

8.1 Named Fiduciary

The authority to control and manage the operation and administration of the Plan shall be allocated between the Employer, the Affiliated Employer and the Committee, all of whom are named fiduciaries under ERISA.

8.2 Fiduciary Standards

Each fiduciary shall discharge its duties with respect to the Plan solely in the interest of the Participants and Beneficiaries as follows:

- (1) For the exclusive purpose of providing benefits to Participants and their Beneficiaries;
- (2) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims;
- (3) In accordance with the Plan document.

8.3 Fiduciaries Liable for Breach of Duty

A fiduciary shall be liable, as provided in ERISA, for any breach of his fiduciary responsibilities. In addition, a fiduciary under this Plan shall be liable for a breach of fiduciary responsibility of another fiduciary under this Plan as provided under ERISA Section 405.

8.4 Fiduciary May Employ Agents

Any person or group of persons may serve in more than one fiduciary capacity with regard to the Plan. A fiduciary, with the consent of the Employer, may employ one or more persons to render advice and assistance with regard to any function such fiduciary has under the Plan. The expenses of such persons shall be paid by the Employer.

8.5 Authority Outlined

(a) Employer Authority

The Employer has the authority to amend and terminate the Plan, and to appoint and remove members of the Committee.

(b) Committee Authority

The Committee has the authority to:

- (1) Maintain the records of Accounts of the Participants;
- (2) Furnish and correct errors in statements of Accounts;
- (3) Establish the standards for determining Disability under the Plan;
- (4) Construe the Plan document and questions thereunder; and
- (5) Employ advisors and assistants.

8.6 Fiduciaries Not to Engage in Prohibited Transactions

A fiduciary shall not cause the Plan to engage in a transaction if he knows or should know that such transaction constitutes a prohibited transaction under ERISA Section 406 or code Section 4975, unless such transaction is exempted under ERISA Section 408 or Code Section 4975.

ARTICLE 9

ADMINISTRATIVE COMMITTEE

9.1 Appointment of Administrative Committee

The Employer shall appoint an Administrative Committee to manage and administer this Plan in accordance with the provisions hereof, each member to serve for such term as the Employer may designate or until a successor member has been appointed or until removed by the Employer. Members shall serve without compensation for committee services. All reasonable expenses of the Committee shall be paid by the Employer.

9.2 Committee Operating Rules

The Committee shall act by agreement of a majority of its members, either by vote at a meeting or in writing without a meeting. By such action, the Committee may authorize one or more members to execute documents on its behalf. In the event of a deadlock or other situation which prevents agreement of a majority of the Committee members, the matter shall be decided by the Employer.

9.3 Duties of Plan Administrator

The Committee is the Plan Administrator under ERISA and shall have the duty and authority to comply with the reporting and disclosure requirements of ERISA which are specifically required of the Plan Administrator.

9.4 Duties of the Committee

The Committee shall keep on file a copy of this Plan, including any subsequent amendments and the latest annual report required under Title I of ERISA for examination by Participants during the business hours.

9.5 Committee Powers

The Committee has the power and duty to do all things necessary or convenient to effect the intent and purpose of this Plan, whether or not such powers and duties are specifically set forth herein. Not in limitation but in amplification of the foregoing, the Committee shall have the power to construe the Plan document and to determine all questions hereunder. Decisions of the Committee made in good faith upon any matters within the scope of its authority shall be final and binding on the Employer, the Affiliated Employers, the Participants, their Beneficiaries and all others. The Committee shall at all times act in a uniform and nondiscriminatory manner in making and carrying out its decisions, and may from time to time prescribe and modify uniform rules of interpretation and administration.

9.6 Committee May Retain Advisors

With the approval of the Employer, the Committee may from time to time or on a continuing basis, retain such agents and advisors including, specifically, attorneys, accountants, actuaries, consultants and administrative assistants, as it considers necessary

to assist it in the proper performance of its duties. The expenses of such agents or advisors shall be paid by the Employer.

9.7 Claims Procedure

(a) Claims Must Be Submitted Within 60 Days

The Committee shall determine Participants' and Beneficiaries' rights and benefits under the Plan. In the event of a dispute over benefits, a Participant or Beneficiary may file a written claim for benefits with the Committee, provided that such claim is filed within 60 days of the date the Participant or Beneficiary receives notification of the Committee's determination.

(b) Requirements for Notice of Denial

If a claim is wholly or partially denied, the Committee shall provide the claimant, setting forth:

- (i) The specific reason for the denial;
- (ii) Specific references to the pertinent provisions on which the denial is based;
- (iii) A description of any additional material or information necessary for the claimant to perfect the claim with an explanation of why such material or information is necessary; and
- (iv) Appropriate information as to the steps to be taken if the claimant wishes to submit his or her claim for review.

The notice of denial shall be given within a reasonable time period but not later than 90 days of the date the claim is filed, unless special circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the claimant within 90 days of the date the claim was filed stating the special circumstances requiring an extension of time and the date by which a decision on the claim can be expected, which shall be no more than 180 days from the date the claim was filed. If no notice of denial is provided as herein described, the claimant may appeal the claim as though the claim had been denied.

(c) Claimant's Rights if Claim Denied

The claimant and/or his representative may appeal the denied claim and may;

- (i) Request a review upon written request to the Committee;
- (ii) Review pertinent documents; and
- (iii) Submit issues and comments in writing; provided that such appeal is made within 60 days of the date the claimant received notification of the denied claim.

(d) Time Limit on Review of Denied Claim

Upon receipt of a request for review, the committee shall provide written notification of its decision to the claimant stating the specific reasons and referencing specific Plan provisions on which its decision is based, within a reasonable time period but not later than 60 days after receiving the request, unless special circumstances require an extension for processing the review. If such an extension is required, the Committee shall notify the claimant of such special circumstances and of the date, no later than 120 days after the original

date the review was requested, on which the Committee will notify the claimant of its decision.

(e) No Legal Recourse Until Claims Procedure Exhausted.

In the event of any dispute over benefits under this Plan, all remedies available to the disputing individual under this Article 9.7 must be exhausted before legal recourse of any type is sought.

9.8 Committee Indemnification

To the fullest extent permitted by law, the Employer agrees to indemnify, to defend, and hold harmless the members of the Committee, individually and collectively, against any liability whatsoever for any (1) action taken or omitted by them in good faith in connection with this Plan or their duties hereunder, and (2) expenses or losses for which they may become liable as a result of any such actions or non-actions, unless resultant from their own willful misconduct. The Employer may purchase insurance for the Committee to cover any of their potential liabilities with regard to the Plan.

ARTICLE 10

AMENDMENT AND TERMINATION

10.1 Employer May Amend Plan

The Employer reserves the right to amend the Plan in any manner that it may deem advisable by action of the Employer. The Employer, Affiliated Employers, Participants and Beneficiaries and all other persons having any interest hereunder shall be bound by any such amendment.

10.2 Employer May Terminate Plan

The Employer has established the Plan with the bona fide intention and expectation that the Plan will continue indefinitely, but the Employer shall be under no obligation to maintain the Plan for any given length of time and may, in its sole discretion, terminate the Plan at any time without any liability, except as to the payment of benefits earned under this Plan prior to the date this Plan is terminated.

ABM INDUSTRIES INCORPORATED

2002 PRICE-VESTED PERFORMANCE STOCK OPTION PLAN
STOCK OPTION AGREEMENT

THIS AGREEMENT (the "Agreement") dated as of _____ day of _____, 200_, is entered into by and between ABM Industries Incorporated, a Delaware corporation (the "Company"), and _____ (the "Optionee").

WITNESSETH

In consideration of the mutual promises and covenants made herein and the mutual benefits to be derived here from, the parties hereto agree as follows:

1. Grant of Options.

Subject to the provisions of this Agreement and the Plan, the Company hereby grants to the Optionee the right and option to purchase _____ shares of the Company's common stock, par value \$0.01 per share (the "Common Stock") at an exercise price of \$____ (the "Option").

2. Exercisability of Options.

- a. The Option may be exercised only to the extent it is vested.
- b. The vested portion of the Option may be exercised, in whole or in part, at the times and in the manner set forth in the Plan; provided, however, that such vested portion shall not be exercised:
 - (1) before the first (1st) anniversary of the Option's date of grant,
 - (2) at any one time for fewer than 100 shares, or such number of shares as to which such Option is then exercisable, if such number of shares is less than 100, and
 - (3) on or after the tenth (10th) anniversary of the Option's date of grant.

3. Vesting of Options.

- a. Subject to the limitations contained in this Agreement and the Plan, unless the vesting of the Option is accelerated as set below, the Option shall vest in full on the close of business on the eight (8th) anniversary of its date of grant.

b. During the four-year period commencing on its date of grant, the vesting of the Option shall accelerate at such time as the Fair Market Value of the Common Stock shall have been equal to or greater than the assigned Vesting Price for ten (10) trading days in any period of thirty (30) consecutive trading days. For purposes of this paragraph, the "Vesting Price" means the following:

- (1) \$20.00 for _____ shares of Common Stock subject to the Option.
- (2) \$22.50 for _____ shares of Common Stock subject to the Option.
- (3) \$25.00 for _____ shares of Common Stock subject to the Option.
- (4) \$27.50 for _____ shares of Common Stock subject to the Option.

4. No Right to Employment.

Nothing in this Agreement or the Plan shall confer upon the Optionee any right to continue in the employ of the Company or any of its Affiliates, or interfere in any way with the right of the Company or any such Affiliate to terminate such employment with or without cause at any time whatsoever absent a written employment contract to the contrary. In addition, nothing in this Agreement shall obligate the Company or any of its Affiliates, their respective shareholders, board of directors, officers or employees to continue any relationship that the Optionee might have as a member of the board of directors or consultant for the Company or an Affiliate.

5. Effect of Certain Changes.

If any change is made to the Common Stock subject to the Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, or other transaction not involving the receipt of consideration by the Company) the Committee shall appropriately adjust the number of shares subject to the Options, the exercise price per share and the Vesting Price. The Committee's determination shall be final, binding and conclusive.

6. Taxes and Withholding.

a. No later than the date of exercise of any portion of the Option, and prior to the delivery of any shares of Common Stock to any Optionee, the Optionee shall pay to the Company or make arrangements satisfactory to the Committee regarding payment of any and all federal, state or local taxes of any kind required by law to be withheld upon such exercise. To the extent permitted and required by law, the Company shall have the right to deduct from any payment of any kind

otherwise due to the Optionee, any and all federal, state and local taxes that may result from the exercise of the Option.

b. Optionee agrees that, in the event any governmental taxing authority claims that any unpaid taxes, interest or penalties are due and owing in connection with the Optionee's exercise of any Stock Option granted under the Plan, the Optionee will be solely responsible to defend and/or pay any such claim. The Optionee further agrees to indemnify and hold the Company harmless from defending and/or paying any such claim, including reasonable attorney's fees, in the event that any governmental taxing authority seeks payment of any and all such unpaid taxes, interest or penalties from the Company.

8. Notices.

Any notice to be given under the terms of this Agreement shall be in writing and delivered to the Company at 160 Pacific Avenue, Suite 222, San Francisco, CA 94111, Attention: General Counsel, and to the Optionee at the address set forth on the last page of this Agreement or at such other address as either party may hereafter designate in writing to the other.

9. Effect of Agreement.

Except as otherwise provided hereunder, this Agreement shall be binding upon and shall inure to the benefit of any successor(s) of the Company.

10. Laws Applicable to Construction.

The law of the State of California shall govern all questions, concerning the construction, validity and interpretation of the Agreement, without regard to such state's conflict of laws rules.

11. Interpretation.

The Option is subject to the all the provisions of the Plan, the provisions of which are hereby made a part of the Option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of a conflict between the provisions of the Option and those of the Plan, the provisions of the Plan shall control. In the event of any ambiguity in this Agreement, any term which is not defined in this Agreement, or any matters as to which this Agreement is silent, the Plan shall govern.

12. Headings.

The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Agreement.

13. Amendment.

This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both parties hereto. The waiver by either party of compliance with any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by a duly authorized officer and the Optionee has hereunto set his or her hand.

for ABM INDUSTRIES INCORPORATED:

Henrik C. Slipsager
President & CEO

for OPTIONEE:

ABM INDUSTRIES INCORPORATED

EXECUTIVE STOCK OPTION PLAN
(as amended December 9, 2003)

ARTICLE 1

Definitions

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

- (a) "Board" shall mean the Board of Directors of the Company.
- (b) "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.
- (c) "Company" shall mean ABM Industries Incorporated.
- (d) "Fair Market Value" shall mean the average of the highest price and the lowest price per share at which the Stock is sold in the regular way on the New York Stock Exchange on the day an Option is granted hereunder or, in the absence of any reported sales on such day, the first preceding day on which there were such sales.
- (e) "Nonemployee Director" shall mean a member of the Board who is neither an employee of the Company nor of any Subsidiary.
- (f) "Option" shall mean an option to purchase Stock granted to the provisions of Article VI hereof.
- (g) "Optionee" shall mean an individual to whom an Option has been granted hereunder.
- (h) "Plan" shall mean the ABM Industries Incorporated Executive Stock Option Plan, the terms of which are set forth herein.
- (i) "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.

- (j) "Stock Option Agreement" shall mean the agreement between the Company and the Optionee under which the Optionee may purchase Stock hereunder.
- (k) "Subsidiary" shall mean any corporation, the majority of the outstanding capital stock of which is owned, directly or indirectly, by the Company.
- (l) "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 and 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 full 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.

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 may 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 descendants, 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 Exercisability. 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. In addition to and at the time of payment of the Option price, Optionee shall pay to the Company in cash the full amount of all the federal and/or state withholding taxes applicable to the taxable income of such Optionee resulting from such exercise.

6.6 Nontransferability of Option. No Option shall be transferable by an Optionee and shall be exercisable only by him.

6.7 Effect of Termination of Employment or Service. If, prior to an Optionee's 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.

6.8 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 December 9, 2003, the date of its approval by the Board. 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.

ABM INDUSTRIES INCORPORATED
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
PLAN DOCUMENT AS AMENDED DECEMBER 9, 2003

Preamble

This plan is an unfunded arrangement for a select group of management or highly-compensated personnel of ABM Industries Incorporated (ABM) and its subsidiaries. All rights under this Plan shall be governed by and construed in accordance with the laws of the State of California.

ARTICLE I

Definitions

Section 1.01.

- (a) "ABM" means ABM Industries Incorporated, a Delaware corporation, its Subsidiaries and its corporate successors.
- (b) "Administrator" means the Controller of ABM or the person designated by the Committee with authority to manage and administer the operation of the Plan.
- (c) "Beneficiary" means the person, institution or trust designated by the Participant pursuant to 3.05 below to receive the Participant's interest in the Plan after the Participant's death.
- (d) "Committee" means the Compensation Committee of the Board of Directors of ABM Industries Incorporated.
- (e) "Fiscal Year" or "Year" (unless otherwise specified) means ABM's fiscal year as now constituted or as it may be changed hereafter from time to time.
- (f) "Participant" means an employee of ABM, or of a Subsidiary, designated by the Administrator for participation in the benefits of the Plan, or a person who was such at the time of his resignation, termination, retirement or death and who retains, or whose Beneficiaries obtain, benefits under the Plan in accordance with its terms.
- (g) "Payment Event" means a Participant's Retirement or in the event of earlier resignation, termination or death, the date the Participant attains or would have attained age 65.
- (h) "Plan" means this Supplemental Executive Retirement Plan as it may be amended from time to time.
- (i) "Retirement" means retirement at or after attaining age 65.

EXHIBIT 10.20

- (j) "Supplemental Benefit" means the total amount allocated to the benefit of a Participant under the Plan.
- (k) "Subsidiary" means a company of which ABM owns, directly or indirectly, at least a majority of the shares having voting power in the election of directors.

ARTICLE II

Designation of Participants and Allocation of Total Fund

Section 2.01. The Administrator shall at least once in each Fiscal Year irrevocably specify:

- (a) The name of each employee who shall be entitled to participate in the Plan for such Year; and
- (b) The amount to be allocated for the benefit of each Participant for such Year.

Effective December 31, 2002, there shall be no new Participants in the Plan and designations by the Administrator shall be limited to allocations to active employees of ABM who are participants in the Plan.

Section 2.02. The amount to be allocated for the benefit of each Participant shall be determined in accordance with the terms of the most recent Grant Certificate in existence for each Participant, which Grant Certificates have been approved by the Committee. The Administrator shall report to the Committee the amounts allocated and Participants for such Year.

ARTICLE III

Future Payments

Section 3.01. The Administrator shall cause an accrual account to be kept in the name of each Participant and each Beneficiary of a deceased Participant. The accrual account shall reflect the value of the Supplemental Benefits payable to such Participant or Beneficiary under the Plan.

Section 3.02. Until and except to the extent that Supplemental Benefits hereunder are distributed to the Participants or Beneficiaries from time to time in accordance with orders of the Administrator, the interest of each Participant and Beneficiary herein is that of a general creditor of ABM and is contingent on and subject to forfeiture as provided in Section 3.06. Title to and beneficial ownership of any assets, whether cash or investments, which ABM may set aside or accrue to meet its obligations hereunder, shall at all times remain the property of ABM. No Participant or Beneficiary shall under any circumstances acquire any property interest in any specific assets of ABM.

Section 3.03. Upon resignation, termination, Retirement or death of a Participant, the value of the Supplemental Benefits payable to such Participant or Beneficiary shall be determined with reference to the accrual account maintained for such Participant.

Section 3.04. Payment of the amount allocated to a Participant shall be deferred until the occurrence of a Payment Event. If the Participant dies before receiving any or all of the payments due the Participant, any remaining amount shall be paid, but not before the Participant would have reached age 65, to the Beneficiary. After determining the value of the Supplemental Benefit for a Participant entitled to payment, the Administrator shall arrange to pay 1/120th of the value of the account to the Participant or Beneficiary each month for a period of 10 years from the date of the Payment Event. There shall be no gains or losses allocated to the account during the 10 year period of payment.

Section 3.05. Each Participant shall have the right to designate a Beneficiary or Beneficiaries who are to succeed to his right to receive future payments hereunder in the event of his death. In case of a failure of designation or the death of a designated Beneficiary without a designated successor, distribution shall be made to the Participant's estate or trust, if a trust for such purpose is in existence. No designation of Beneficiary shall be valid unless in writing signed by the Participant, dated, and filed with the Committee. Beneficiaries may be changed without consent of any prior Beneficiaries.

Section 3.06. The right of a Participant or Beneficiary to receive future payments hereunder shall be vested at all times; provided, however, that such right shall be forfeited immediately upon the occurrence of either of the following events: If the Participant is discharged from employment by ABM or a subsidiary for acts which, in the opinion of the ABM, constitute embezzlement of corporate funds or if, following the Participant's termination of employment, it is determined that he or she has embezzled corporate funds.

Section 3.07. Nothing contained herein shall be deemed to create a trust of any kind for the benefit of any Participant or Beneficiary, or create any fiduciary relationship. Funds accrued hereunder shall continue for all purposes to be a part of the general funds of ABM, and no person other than ABM shall, by virtue of the provisions of this Plan, have any interest in such funds. To the extent that any person acquires a right to receive payments from ABM under this Plan, such right shall be no greater than the right of any unsecured general creditor of ABM.

Section 3.08. The adoption of this Plan shall not confer upon any employee of ABM or any of its subsidiaries or Participant any right to continued employment, nor shall it interfere in any way with the right of ABM or any of its Subsidiaries to terminate the employment or change the compensation of any of its employees at any time.

ARTICLE IV

Administration

Section 4.01. The books and records to be maintained for the purpose of the Plan shall be maintained by the officers and employees of ABM at its expense and subject to the supervision and control of the Administrator. ABM shall pay all expenses of administering the Plan.

Section 4.02. To the extent permitted by law, the right of any Participant or any Beneficiary in any benefit or to any payment hereunder shall not be subject in any manner to attachment or other legal process for the debts of such Participant or Beneficiary; and any such benefit or payment shall not be subject to anticipation, alienation, sale, transfer, assignment or encumbrance. In the event that the Plan is presented with an appropriate order from a family court or other court of competent jurisdiction dividing the right to benefits under this Plan or to receiving continuing payments under this Plan between the Participant and the Participant's spouse, the Administrator shall establish such accounts and sub-accounts and make arrangement for such payments as the order may require. In no event shall the Plan be required to pay a benefit in a greater amount or earlier than would otherwise be required by the Plan for payments to the Participant.

Section 4.03. No member of the Committee or the Administrator and no officer or employee of ABM shall be liable to any person for any action taken or omitted in connection with the administration of this Plan unless attributable to his own fraud or willful misconduct; nor shall ABM be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer or employee of ABM.

Section 4.04. The Committee shall establish procedures for handling claims for benefits under the Plan and appeals from denied claims.

ARTICLE V

Amendment of Plan

Section 5.01. The Committee may amend the Plan in whole or in part from time to time.

Section 5.02. Notice of every such amendment shall be given in writing to each Participant and Beneficiary of each deceased Participant.

ARTICLE VI

Entire Agreement

This Supplemental Executive Retirement Plan Document and the most recently dated Grant Certificate delivered to a Participant and properly signed by an officer of ABM, shall supersede all prior plans, documents, agreements, offers, contracts or clauses,

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whether designated as "Executive Retirement", "Post Employment Consultancy" or by any other term, which refer to the benefit of such Participant which is the subject matter of this Plan Document.

Encls: SERP Grant Certificate
SERP Designation of Beneficiary Form

ABM Industries Incorporated
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
DESIGNATION OF BENEFICIARY

It is important that each Participant in the Company's Supplemental Executive Retirement Plan (SERP) designate a beneficiary for the payment of Plan benefits in the event of the Participant's death prior to a full distribution of benefits.

Please return a copy of this completed Designation of Beneficiary form to ABM Industries, Attn: Executive Compensation Administrator, 160 Pacific Avenue, San Francisco, California 94111.

This form should be promptly updated by the Participant whenever there is a change of address or designated beneficiary.

SECTION I: PERSONAL INFORMATION

Name _____ Spouse's Name _____

SSN: _____ Company/Location _____

Home Address _____ City/State/Zip _____

SECTION II: DESIGNATION OF BENEFICIARY

Pursuant to the terms and conditions of the Plan, I hereby designate the following as my beneficiary(ies), to whom any benefits I may then have in the Plan may be paid upon my death. This designation supersedes any prior beneficiary designation made by me with respect to these benefits.

Primary: I name the following person(s) or entity(ies) as my Primary Beneficiary(ies):

Name: _____ SSN _____

Address _____

Name: _____ SSN _____

Address _____

Secondary: If my Primary beneficiary(ies) is (are) unable to receive this distribution, I Name the following Secondary person(s) or entity(ies) as my Secondary Beneficiary(ies):

Name _____ SSN _____

Address _____

Name _____ SSN _____

Address _____

I HEREBY CERTIFY THAT THE ABOVE INFORMATION IS TRUE AND CORRECT. THE COMPANY, PLAN ADMINISTRATOR AND ANY OTHER PERSONS ASSOCIATED WITH THE ADMINISTRATION OF THE PLAN ARE ENTITLED TO RELY ON THIS DOCUMENT AND SHALL BE FREE OF LIABILITY FOR ANY ACTION TAKEN UNDER THE PROVISIONS OF THE PLAN AND IN RELIANCE ON THIS DOCUMENT.

Participant's Signature/Date _____ Spouse's Signature/Date _____

Witness to Signatures: _____

[CORPORATE EXECUTIVE] [CORPORATE OFFICER] EMPLOYMENT AGREEMENT

THIS [CORPORATE EXECUTIVE] [CORPORATE OFFICER] EMPLOYMENT AGREEMENT ("Agreement") is made effective as of [MONTH, DAY, YEAR], by and between [EXECUTIVE/OFFICER NAME] ("Executive"), and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be [executive's title], subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the [reporting authority] or his or her designee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of [month, day, year], for a term of [one year] [two years] ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in [city] in the state of [state] ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.
 3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group

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life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

G. **PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES:** Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) to whom Executive reports pursuant to Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

H. **BUSINESS CONDUCT:** Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. **GOOD FAITH:** Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board of Directors.
2. **BEST EFFORTS:** During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. **VERACITY:** Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. **DRIVER'S LICENSE:** Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
5. **CODE OF CONDUCT:** Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.

I. **NO CONFLICT:** Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.

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- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:
1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
1. Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.
 2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
 3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.
 4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept

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any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.

5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof.
3. The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

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N. EXTENSION OF EMPLOYMENT:

1. Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the base salary specified in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1.
 - a. Termination Upon Expiration Of Term. Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
 - b. Termination For Cause. Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement; (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.
 - c. Voluntary Termination By Executive. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, all prorated salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.
3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable. Executive shall promptly return and release all Company property in Executive's

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possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.
2. The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall

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interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

- U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.
- V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.
- W. NOTICES:
1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: [NAME]
 [Home address]
 [Home city, state, zip]

COMPANY: ABM INDUSTRIES INCORPORATED
 160 Pacific Avenue, Suite 222
 San Francisco, CA 94111
 Attention: Chief Executive Officer

COPY: ABM INDUSTRIES INCORPORATED
 160 Pacific Avenue, Suite 222
 San Francisco, CA 94111
 Attention: Chief Employment Counsel

2. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:
 - a. [Executive's annual salary for Fiscal Year 200[] shall be no less than his or her salary in effect on October 31, 200[], subject to the provisions contained in Subparagraph b, below.]

 [(Annual salary amount spelled out) (\$xxx,xxx) per year effective [month, day, year] through [month, day, year] at the monthly rate of \$xxx,xxx.xx payable semi-monthly.]
 - b. Effective [month, day, year] and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
 - c. At the sole discretion of the Board of Directors of the Company (the "Board"), the Company may grant a salary adjustment at any time for reasons deemed appropriate by

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the Board, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the maximum bonus payable under Subparagraph d, below, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:
- a. A Target Bonus for each Fiscal Year shall be initially calculated by multiplying Executive's bonus percentage of [_____] % times the Company's Profit. Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of [50% to 150%] [80% to 120%] to determine Executive's Actual Bonus. Such adjustment shall be based on criteria contained in Executive's annual Performance Rating (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Executive Officer Compensation and Stock Option Committee of the Board and the Board.
- B. [Profit for purposes of determining such Target Bonus, shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of the Company, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company [and] [,] (ii) gains or losses on the sales of any discontinued business operations of the Company[.] [and (iii)] [any WTC related gain] [the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.] At any time the Board of Directors of the Company reserves the right to further adjust Profit for purposes of determining a Target Bonus in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Board determines, in good faith, to be appropriate.
- [Notwithstanding the foregoing,] [Profit for purposes of determining the Target Bonus in any Fiscal Year during the Initial or Extended Term of this Agreement, shall include WTC Related Gain and WTC Related Carry-Over Gain in an aggregate amount not to exceed a maximum of \$10 million per Fiscal Year. For purposes of this Agreement, the term "WTC Related Gain" shall mean the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001. Also, for purposes of this Agreement, the term "WTC Related Carry-Over Gain" shall mean the aggregate amount of WTC Related Gain not previously taken into account in determining a Target Bonus for a prior Fiscal Year. Finally,] [F] [f]or purposes of this Agreement, the term "Significant Transaction" shall mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.
- c. The Chief Financial Officer of the Company shall calculate the Profit and Target Bonus for purposes of this Agreement. Company shall pay Executive the Actual Bonus for the Fiscal Year, or prorated Target Bonus in the event of modification or termination of employment

[Corp Exec Officer] [Corp Officer] INITIALS: EXECUTIVE _____ COMPANY _____

EXHIBIT I

NAME OF EXECUTIVE:

2004 EXECUTIVE PERFORMANCE BONUS MODIFIERS
 RATINGS AND CALCULATION SHEET
 ABM EXECUTIVE OFFICERS

	UNSATISFACTORY		NEEDS IMPROVEMENTS		MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS		SUPERIOR PERFORMANCE
Circle one rating in each category									
I. STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9
II. FINANCIAL LEADERSHIP	1	2	3	4	5	6	7	8	9
III. PERFORMANCE AGAINST BUDGET	1	2	3	4	5	6	7	8	9
IV. EMPLOYEE LEADERSHIP	1	2	3	4	5	6	7	8	9
Employee Relations									
Staff Development									
Recruitment, Retention, Motivation									
Teamwork									
V. COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9
TOTAL RATING SCORE:	[]								

- 43 - 45 points = 150% of Profit Bonus
- 40 - 42 points = 140% of Profit Bonus
- 36 - 39 points = 130% of Profit Bonus
- 31 - 35 points = 120% of Profit Bonus
- 28 - 30 points = 110% of Profit Bonus
- 25 - 27 points = 100% of Profit Bonus
- 23 - 24 points = 90% of Profit Bonus
- 21 - 22 points = 80% of Profit Bonus
- 19 - 20 points = 70% of Profit Bonus
- 16 - 18 points = 60% of Profit Bonus
- >15 points = 50% of Profit Bonus

 Reviewer's Signature

[Corp Exec Officer] [Corp Officer]

INITIALS: EXECUTIVE _____ COMPANY_____

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2003, by and between HENRIK C. SLIPSAGER ("Executive") and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be President and Chief Executive Officer of Company, subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's Board of Directors or its designated committee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2003, for a term of two years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in San Francisco in the state of California ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.
3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

4. LIMIT: To the extent that any compensation to be paid to Executive under this Agreement would be non-deductible by the Company as a result of the \$1 million compensation limit provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), then such compensation shall not be paid out to Executive at that time but shall instead be deferred and paid without interest to Executive (subject to applicable withholding and only to the extent that payment of such deferred amount is fully deductible under Code Section 162(m)) in the first month of the taxable year following the taxable year of deferral. If the subsequent payment of the deferral is itself subject to further deferral pursuant to this Paragraph F.4, then such further deferred amount shall instead be paid in the first month of the next following taxable year.

G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in accordance with policies and procedures adopted by the Audit Committee of the Board of Directors (the "Board"), upon presentation by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

H. BUSINESS CONDUCT: Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board.

2. **BEST EFFORTS:** During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. **VERACITY:** Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. **DRIVER'S LICENSE:** Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
5. **CODE OF CONDUCT:** Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.
6. **OTHER LAWS:** Executive agrees to fully comply with the other laws and regulations that govern his performance and receipt of compensation under this Agreement, including but not limited to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

I. **NO CONFLICT:** Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.

J. **COMPANY PROPERTY:** Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

- K. **GOODWILL & PROPRIETARY INFORMATION:** In connection with Executive's employment hereunder:
1. **PROPRIETARY INFORMATION:** Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 2. **DUTY OF LOYALTY:** Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. **RESTRICTIVE COVENANTS:** In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
1. **NON-SOLICITATION OF EMPLOYEES:** Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.
 2. **NON-DISCLOSURE:** Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
 3. **NON-SOLICITATION OF CUSTOMERS BY UNFAIR PRACTICES:** Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.
 4. **NON-SOLICITATION:** Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.

5. LIMITATIONS: Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. MODIFICATION ACTIONS: Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due any and all, previously earned but as yet unpaid, salary, bonus pursuant to Paragraph X.2.c or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. MODIFICATION OBLIGATIONS: During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) designated by the Board, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) designated by the Board.

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

3. MODIFICATION PERIOD: The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

N. EXTENSION OF EMPLOYMENT:

1. RENEWAL: Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the Base Salary as defined in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. NOTICE OF NON-RENEWAL: In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1. a. TERMINATION UPON EXPIRATION OF TERM: Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
- b. TERMINATION FOR CAUSE: Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement, (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

c. VOLUNTARY TERMINATION BY EXECUTIVE: At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.

2. DISABILITY: Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, any and all, previously earned but as yet unpaid, salary, bonus pursuant to Paragraph X.2.c, other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

3. ACTIONS UPON TERMINATION: Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive when due any and all, previously earned but as yet unpaid, salary, bonus pursuant to Paragraph X.2.c, other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. ARBITRATION AGREEMENT: Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.

2. COST OF ARBITRATION: The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

R. REMEDIES & DAMAGES:

1. INJUNCTIVE RELIEF: The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. DAMAGES: Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. WITHHOLDING AUTHORIZATION: To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than consider such provision void.

U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.

V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.

W. NOTICES:

1. ADDRESSES: Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

EXECUTIVE: HENRIK C. SLIPSAGER
17 Stratton Road
Purchase, NY10577

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Board of Directors

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

2. RECEIPT. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:

- a. Executive's base salary ("Base Salary") for the Fiscal Year that began November 1, 2003, shall be Six Hundred Seventy Seven Thousand Nine Hundred Fifty dollars (\$677,950), subject to the provisions contained in Subparagraph b, below. The capitalized term "Fiscal Year" used in this agreement means the period beginning on November 1 and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as the Company's fiscal year.
- b. Effective November 1, 2004, and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of a majority of the members of the Board determined by the Board to be "independent directors" (the "Independent Directors"), to receive a merit increase based on Executive's job performance.
- c. At the sole discretion of the Independent Directors, the Company may grant a salary adjustment at any time for reasons deemed appropriate by the Independent Directors, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

2. BONUS: Subject to pro-ration in the event of modification or termination of employment hereunder and further subject to the requirement set forth under Subparagraph d, below, Executive shall be entitled to participate in the Company's incentive compensation plan which provides for a performance-based bonus ("Bonus") contingent on the achievement of corporate objectives for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

- a. A target Bonus for each Fiscal Year ("Target Bonus") shall be established equal to 50% of Executive's Base Salary for the Fiscal Year.. Executive's Actual Bonus may range from zero percent (0%) to seventy-five percent (75%) of Base Salary (the "Bonus Range") with the amount earned determined based on an assessment of performance against criteria (the "Performance Criteria") established annually by the Executive Compensation and Stock Option Committee of the Board (the

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

"Committee"). Performance Criteria may include both Company and individual objectives, may be both qualitative and quantitative in nature and shall be established and communicated to Executive no later than thirty (30) days after the beginning of the Fiscal Year to which they apply. The assessment of Executive's performance (the "Performance Assessment") for each Fiscal Year shall be the responsibility of the Committee. The determination of the Actual Bonus for each Fiscal Year shall be the responsibility of the Independent Directors.

- b. The Committee reserves the right at any time to adjust the Performance Criteria in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, rules of the New York Stock Exchange and/or for any other reason which the Committee determines, in good faith, to be appropriate. For purposes of this Agreement, the term "Significant Transaction" shall mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.
- c. The Company shall pay Executive the Actual Bonus for each Fiscal Year following completion of the audit of the Company's financial statements and determination of the Actual Bonus by the Independent Directors, but not later than seventy-five (75) days after the end of the Fiscal Year. The Company in its sole discretion may pay any Actual Bonus earlier. In the event of modification or termination of employment hereunder, the Company shall pay Executive, within seventy-five (75) days thereafter, a prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of modification or termination.
- d. Absent bad faith or material error, any conclusions of the Committee or the Independent Directors with respect to the Performance Criteria, the Performance Assessment, or the Actual Bonus shall be final and binding upon Executive and Company.
- e. Notwithstanding the foregoing Paragraphs X.2.a, X.2.b, and X.2.c, except as authorized under Paragraph X.2.e no Bonus for any Fiscal Year of the Company shall be payable unless the Company's Earnings Per Share ("EPS") for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's EPS for the previous Fiscal Year of the Company, in each case excluding any gains and losses from sales of discontinued operations and any WTC Related Gain. For purposes of this Agreement, the term "WTC Related Gain" shall mean the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

f. Notwithstanding any other provision hereof, the Independent Directors may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus or the Bonus Range. The Independent Directors' decision in this regard shall be deemed final and binding on Executive. In addition, the Independent Directors reserve the right at any time to grant a discretionary incentive bonus, which shall not be subject to any maximum Bonus provisions or limitations.

3. POST RETIREMENT HEALTH INSURANCE ASSISTANCE: If and only after Executive retires from employment with Company at age sixty-five (65) or later and concluding no later than ten (10) years thereafter ("Consultancy Period"), the Company shall provide Executive and his spouse with reimbursement for dental coverage comparable to that provided to other Company executive officers together with coverage commonly known as Medicare Supplement or Medigap Insurance to supplement Medicare coverage furnished by the federal government to retirees; provided, however, that Executive and his spouse shall pay Company the then current premium contribution charged by Company to its executive officers for their medical and dental coverage, and Company's cost of such reimbursement shall not exceed a combined amount of \$10,000 in any Fiscal Year for Executive and his spouse, or \$5,000 in the event of the death of either. In the event that Executive retires, dies, or otherwise terminates employment prior to age 65, Company shall have no obligations under this subparagraph 3.

In consideration of the above, during the Consultancy Period: (a) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the Company, (b) Company shall pay directly or reimburse Executive for previously approved reasonable business expenses incurred by Executive in connection with such services upon presentation to Company by Executive within sixty (60) days after incurring such expenses, of an itemized request for payment including the date(s) and receipt(s) for all such expenses in excess of twenty-five dollars (\$25) each, (c) Executive shall not be eligible or entitled to receive or participate in any other of the Company's then current fringe benefits and (d) Executive shall be deemed an independent contractor and not an employee of the Company.

Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, J, K, L, O.3 and R in this Agreement shall include Company, and its subsidiary corporations and other Company affiliates.

Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

1. NO EXTERNAL EVIDENCE: The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
2. SUPERSEDES OTHER AGREEMENTS: It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all conflicting provisions of Company's Guidelines for Corporate Approval and its

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Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

1. AMENDMENTS: This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and two (2) Independent Directors.

FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, that they have been given an opportunity to review all aspects of this Agreement with an attorney if they so choose, and that they are voluntarily entering into this Agreement with full knowledge of the benefits and burdens, and the risks and rewards, contained herein.

IN WITNESS WHEREOF, Executive and two (2) Independent Directors have executed this Agreement as of the date set forth above:

EXECUTIVE: HENRIK C. SLIPSAGER

Signature: /s/ Henrik C. Slipsager

Date: December 2, 2003

COMPANY: ABM INDUSTRIES INCORPORATED

Signature: /s/ Maryellen C. Herringer

Maryellen C. Herringer

Title: Chair of the Compensation Committee
Board of Directors

Date: December 2, 2003

Signature: /s/ Charles T. Horngren

Charles T. Horngren

Title: Chair of the Audit Committee
Board of Directors

Date: December 2, 2003

INITIALS: EXECUTIVE /s/HCS COMPANY /s/MCH

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2003, by and between JESS E. BENTON, III ("Executive") and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be Executive Vice President and Chief Operations Officer, subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's Chief Executive Officer or his or her designee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2003, for a term of fifteen (15) months, through January 31, 2005 ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in San Francisco in the state of California ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.
 3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a

Corp Exec Officer

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Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

4. LIMIT: To the extent that any compensation to be paid to Executive under this Agreement would be non-deductible by the Company as a result of the \$1 million compensation limit provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), then such compensation shall not be paid out to Executive at that time but shall instead be deferred and paid without interest to Executive (subject to applicable withholding and only to the extent that payment of such deferred amount is fully deductible under Code Section 162(m)) in the first month of the taxable year following the taxable year of deferral. If the subsequent payment of the deferral is itself subject to further deferral pursuant to this Paragraph F.4, then such further deferred amount shall instead be paid in the first month of the next following taxable year.

G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) to whom Executive reports pursuant to Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

H. BUSINESS CONDUCT: Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board of Directors.
2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. VERACITY: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. DRIVER'S LICENSE: Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder

whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.

5. CODE OF CONDUCT: Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.

- I. NO CONFLICT: Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.
- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:
1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
1. Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.

Corp Exec Officer

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2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.
4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.
5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2 or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for

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reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof.

3. The Modification Period shall continue until the earlier of:
 (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

N. EXTENSION OF EMPLOYMENT:

1. Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the base salary specified in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1. a. Termination Upon Expiration Of Term. Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
- b. Termination For Cause. Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement; (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.
- c. Voluntary Termination By Executive. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive

or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, all prorated salary, prorated Target Bonus as determined pursuant to Paragraph X.2 or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus, as determined pursuant to Paragraph X.2 or other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.
2. The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and

Corp Exec Officer

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from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

- S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.
- T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.
- U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.
- V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.

W. NOTICES:

1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: JESS E. BENTON, III
50 Orange Court
Hillsborough, CA 94010

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Employment Counsel
2. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:

Corp Exec Officer

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- a. Four Hundred Sixty Nine Thousand Three Hundred Fifty Dollars (\$469,350) per year effective November 1, 2003 through October 31, 2004 at the monthly rate of \$39,112.50 payable semi-monthly.
 - b. Effective November 1, 2004 and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
 - c. At the sole discretion of the Board of Directors of the Company (the "Board"), the Company may grant a salary adjustment at any time for reasons deemed appropriate by the Board, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.
2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the maximum bonus payable under Subparagraph d, below, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:
- a. A Target Bonus for each Fiscal Year shall be initially calculated by multiplying Executive's bonus percentage of .1643% times the Company's Profit. Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 50% to 150% to determine Executive's Actual Bonus. Such adjustment shall be based on criteria contained in Executive's annual Performance Rating (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Executive Officer Compensation and Stock Option Committee of the Board and the Board.
 - b. Profit for purposes of determining such Target Bonus, shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of the Company, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (ii) gains or losses on the sales of any discontinued business operations of Company, and (iii) WTC Related Gain. At any time the Board of Directors of the Company reserves the right to further adjust Profit for purposes of determining a Target Bonus in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Board determines, in good faith, to be appropriate.
- Notwithstanding the foregoing, Profit for purposes of determining the Target Bonus in any Fiscal Year during the Initial or Extended Term of this Agreement, shall include WTC Related Gain and WTC Related Carry-Over Gain in an aggregate amount not to exceed a maximum of \$10 million per Fiscal Year. For purposes of this Agreement, the term "WTC Related Gain" shall mean the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001. Also, for purposes of this Agreement, the term "WTC Related Carry-Over Gain" shall mean the aggregate amount of WTC Related Gain not previously taken into account in determining a Target Bonus for a prior Fiscal Year. Finally, for purposes of this Agreement, the term "Significant Transaction" shall

mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.

- c. The Chief Financial Officer of the Company shall calculate the Profit and Target Bonus for purposes of this Agreement. Company shall pay Executive the Actual Bonus for the Fiscal Year, or prorated Target Bonus in the event of modification or termination of employment hereunder, following completion of the audit of the Company's financial statements and approval by the Company's Executive Officer Compensation and Stock Option Committee and the Company's Board of Directors, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Actual Bonus or prorated Target Bonus earlier. The Actual Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Actual Bonus is payable. Absent bad faith or material error, any calculations of the Chief Financial Officer and any conclusions of the Board, with respect to the amounts of the Profit, Target Bonus or Actual Bonus, shall be final and binding upon Executive and Company.
- d. Executive's maximum Actual Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary for that year as determined pursuant to this Agreement. In the event of modification or termination of employment hereunder, Executive's prorated Target Bonus shall not exceed such percent of prorated Base Salary.
- e. Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable unless the Company's EPS for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's EPS for the previous Fiscal Year of the Company, in each case excluding gains and losses from sales of discontinued operations and any WTC Related Gain.
- f. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made (including but not limited to any WTC Related Gain or WTC Related Carry-Over Gain realized) by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- g. Notwithstanding any other provision hereof, the Board may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as the Board shall determine in its sole discretion. The Board's decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Board reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in paragraph X.2.d above.

Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, J, K, L, O.3 and R in this Agreement shall include Company, and its subsidiary corporations and other Company affiliates.

Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

- 1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

Corp Exec Officer

INITIALS: EXECUTIVE /s/JEB COMPANY /s/DMD

EXHIBIT I

NAME OF EXECUTIVE: Jess E. Benton, III

2004 EXECUTIVE PERFORMANCE BONUS MODIFIERS
RATINGS AND CALCULATION SHEET
ABM EXECUTIVE OFFICERS

	UNSATISFACTORY		NEEDS IMPROVEMENTS		MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS		SUPERIOR PERFORMANCE
CIRCLE ONE RATING IN EACH CATEGORY									
I. STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9
II. FINANCIAL LEADERSHIP	1	2	3	4	5	6	7	8	9
III. PERFORMANCE AGAINST BUDGET	1	2	3	4	5	6	7	8	9
IV. EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9
V. COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9
TOTAL RATING SCORE:	[...]								

- 43 - 45 points = 150% of Profit Bonus
- 40 - 42 points = 140% of Profit Bonus
- 36 - 39 points = 130% of Profit Bonus
- 31 - 35 points = 120% of Profit Bonus
- 28 - 30 points = 110% of Profit Bonus
- 25 - 27 points = 100% of Profit Bonus
- 23 - 24 points = 90% of Profit Bonus
- 21 - 22 points = 80% of Profit Bonus
- 19 - 20 points = 70% of Profit Bonus
- 16 - 18 points = 60% of Profit Bonus
- >15 points = 50% of Profit Bonus

Reviewer's Signature

Corp Exec Officer

INITIALS: EXECUTIVE /s/JEB COMPANY /s/DMD

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2003, by and between JAMES P. MCCLURE ("Executive") and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be Executive Vice President and President of ABM Janitorial Services, subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's Chief Executive Officer or his or her designee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2003, for a term of two years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in San Francisco in the state of California ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.
 3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

4. **LIMIT:** To the extent that any compensation to be paid to Executive under this Agreement would be non-deductible by the Company as a result of the \$1 million compensation limit provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), then such compensation shall not be paid out to Executive at that time but shall instead be deferred and paid without interest to Executive (subject to applicable withholding and only to the extent that payment of such deferred amount is fully deductible under Code Section 162(m)) in the first month of the taxable year following the taxable year of deferral. If the subsequent payment of the deferral is itself subject to further deferral pursuant to this Paragraph F.4, then such further deferred amount shall instead be paid in the first month of the next following taxable year.

G. **PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES:** Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) to whom Executive reports pursuant to Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

H. **BUSINESS CONDUCT:** Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. **GOOD FAITH:** Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board of Directors.
2. **BEST EFFORTS:** During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. **VERACITY:** Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. **DRIVER'S LICENSE:** Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder

whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.

5. CODE OF CONDUCT: Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.

- I. NO CONFLICT: Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.
- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:
- Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 - Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
- Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.
4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.
5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph O.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof.

3. The Modification Period shall continue until the earlier of:
 (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

N. EXTENSION OF EMPLOYMENT:

1. Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the base salary specified in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1. a. Termination Upon Expiration Of Term. Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
- b. Termination For Cause. Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement; (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.
- c. Voluntary Termination By Executive. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive

or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, all prorated salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus, as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.
2. The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

- S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.
- T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.
- U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.
- V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.

W. NOTICES:

1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: James P. McClure
c/o ABM Janitorial Services
160 Pacific Ave., Suite 222
San Francisco, CA 94111

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Employment Counsel

2. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

- a. Four Hundred Thirty Nine Three Hundred Dollars (\$439,300) per year effective November 1, 2003 through October 31, 2004 at the monthly rate of \$36,608.34 payable semi-monthly.
 - b. Effective November 1, 2004 and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
 - c. At the sole discretion of the Board of Directors of the Company (the "Board"), the Company may grant a salary adjustment at any time for reasons deemed appropriate by the Board, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.
2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the maximum bonus payable under Subparagraph d, below, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:
- a. A Target Bonus for each Fiscal Year shall be initially calculated by multiplying Executive's bonus percentage of .2374% times the consolidated Profit of the Janitorial Services subsidiaries of the Company ("Janitorial Division"), excluding ABM Lakeside, Inc. until such time as the operations of ABM Lakeside are consolidated into American Building Maintenance Co. of Illinois. The inclusion of ABM Lakeside, Inc. in the determination of Profit shall be subject to the approval of the Executive Officer Compensation and Stock Option Committee of the Board (the "Committee"). Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 50% to 150% to determine Executive's Actual Bonus. Such adjustment shall be based on criteria contained in Executive's annual Performance Rating (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Committee and the Board.
 - b. Profit for purposes of determining such Target Bonus, shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of the Janitorial Division, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of the Janitorial Division (ii) gains or losses on the sales of any discontinued business operations of the Janitorial Division, and (iii) any corporate charges imposed by the parent Company. At any time the Board of Directors of the Company reserves the right to further adjust Profit for purposes of determining a Target Bonus in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Board determines, in good faith, to be appropriate.

For purposes of this Agreement, the term "Significant Transaction" shall mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.
 - c. The Chief Financial Officer of the Company shall calculate the Profit and Target Bonus for purposes of this Agreement. Company shall pay Executive the Actual Bonus for the Fiscal Year, or prorated Target Bonus in the event of modification or termination of employment

hereunder, following completion of the audit of the Company's financial statements and approval by the Company's Executive Officer Compensation and Stock Option Committee and the Company's Board of Directors, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Actual Bonus or prorated Target Bonus earlier. The Actual Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Actual Bonus is payable. Absent bad faith or material error, any calculations of the Chief Financial Officer and any conclusions of the Board, with respect to the amounts of the Profit, Target Bonus or Actual Bonus, shall be final and binding upon Executive and Company.

- d. Executive's maximum Actual Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary as determined pursuant to this Agreement. In the event of modification or termination of employment hereunder, Executive's prorated Target Bonus shall not exceed such percent of prorated Base Salary.
- e. Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable unless the Company's EPS for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's EPS for the previous Fiscal Year of the Company, in each case excluding gains and losses from sales of discontinued operations and any income included in the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.
- f. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- g. Notwithstanding any other provision hereof, the Board may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as the Board shall determine in its sole discretion. The Board's decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Board reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in paragraph X.2.d above.

Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, J, K, L, O.3 and R in this Agreement shall include Company, and its subsidiary corporations and other Company affiliates.

Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

- 1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
- 2. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all conflicting provisions of Company's Guidelines for Corporate Approval and its Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

- 3. This Agreement may not be amended except in a writing signed by the Executive and Chief Executive Officer and approved by the Company's Board of Directors.

FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, that they have been given an opportunity to review all aspects of this Agreement with an attorney if they so choose, and that they are voluntarily entering into this Agreement with full knowledge of the benefits and burdens, and the risks and rewards, contained herein.

IN WITNESS WHEREOF, Executive and an officer and Director of the Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ James P. McClure

Date: 12/8/03

COMPANY: ABM INDUSTRIES INCORPORATED

Date: 12/10/03

Signature: Henrik C. Slipsager

Title: President & CEO

Signature: /s/ Donna M. Dell

Title: Sr. V.P. of Human Resources

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

EXHIBIT I

NAME OF EXECUTIVE: James P. McClure

2004 EXECUTIVE PERFORMANCE BONUS MODIFIERS
RATINGS AND CALCULATION SHEET
ABM EXECUTIVE OFFICERS

	UNSATISFACTORY		NEEDS IMPROVEMENT		MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS		SUPERIOR PERFORMANCE
CIRCLE ONE RATING IN EACH CATEGORY									
I. STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9
II. FINANCIAL LEADERSHIP	1	2	3	4	5	6	7	8	9
III. PERFORMANCE AGAINST BUDGET	1	2	3	4	5	6	7	8	9
IV. EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9
V. COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9
TOTAL RATING SCORE:	[]								

- 43 - 45 points = 150% of Profit Bonus
- 40 - 42 points = 140% of Profit Bonus
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- 19 - 20 points = 70% of Profit Bonus
- 16 - 18 points = 60% of Profit Bonus
- >15 points = 50% of Profit Bonus

Reviewer's Signature

Corp Exec Officer

INITIALS: EXECUTIVE /s/JPM COMPANY /s/DMD

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2003, by and between GEORGE B. SUNDBY ("Executive") and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be Senior Vice President and Chief Financial Officer, subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's Chief Executive Officer or his or her designee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2003, for a term of two years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in San Francisco in the state of California ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.
 3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) to whom Executive reports pursuant to Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

H. BUSINESS CONDUCT: Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board of Directors.
2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. VERACITY: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. DRIVER'S LICENSE: Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
5. CODE OF CONDUCT: Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.
6. OTHER LAWS: Executive agrees to fully comply with the other laws and regulations that govern his performance and the receipt of compensation under this Agreement, including the provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

- I. NO CONFLICT: Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.
- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:
1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
1. Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.
 2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
 3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.
5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof.
3. The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

N. EXTENSION OF EMPLOYMENT:

1. Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the base salary specified in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1.
 - a. Termination Upon Expiration Of Term. Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
 - b. Termination For Cause. Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement; (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.
 - c. Voluntary Termination By Executive. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, all prorated salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.
3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as

applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus, as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.
2. The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.

V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.

W. NOTICES:

1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: GEORGE B. SUNDBY
90 Cedro Avenue
San Francisco, CA 94127

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Employment Counsel

2. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:

- a. Three Hundred Thirty One Seven Hundred Dollars (\$331,700) per year effective November 1, 2003 through October 31, 2004 at the monthly rate of \$27,641.67 payable semi-monthly.
- b. Effective November 1, 2004 and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
- c. At the sole discretion of the Board of Directors of the Company (the "Board"), the Company may grant a salary adjustment at any time for reasons deemed appropriate by the Board, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the maximum bonus payable under Subparagraph d, below, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

- a. A Target Bonus for each Fiscal Year shall be initially calculated by multiplying Executive's bonus percentage of .1427% times the Company's Profit. Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 50% to 150% to determine Executive's Actual Bonus. Such adjustment shall be based on criteria contained in Executive's annual Performance Rating (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Executive Officer Compensation and Stock Option Committee of the Board and the Board.
- b. Profit for purposes of determining such Target Bonus, shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of the Company, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (ii) gains or losses on the sales of any discontinued business operations of Company, and (iii) WTC Related Gain. At any time the Board of Directors of the Company reserves the right to further adjust Profit for purposes of determining a Target Bonus in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Board determines, in good faith, to be appropriate.

Notwithstanding the foregoing, Profit for purposes of determining the Target Bonus in any Fiscal Year during the Initial or Extended Term of this Agreement, shall include WTC Related Gain and WTC Related Carry-Over Gain in an aggregate amount not to exceed a maximum of \$10 million per Fiscal Year. For purposes of this Agreement, the term "WTC Related Gain" shall mean the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001. Also, for purposes of this Agreement, the term "WTC Related Carry-Over Gain" shall mean the aggregate amount of WTC Related Gain not previously taken into account in determining a Target Bonus for a prior Fiscal Year. Finally, for purposes of this Agreement, the term "Significant Transaction" shall mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.

- c. The Chief Financial Officer of the Company shall calculate the Profit and Target Bonus for purposes of this Agreement. Company shall pay Executive the Actual Bonus for the Fiscal Year, or prorated Target Bonus in the event of modification or termination of employment hereunder, following completion of the audit of the Company's financial statements and approval by the Company's Executive Officer Compensation and Stock Option Committee and the Company's Board of Directors, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Actual Bonus or prorated Target Bonus earlier. The Actual Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Actual Bonus is payable. Absent bad faith or material error, any calculations of the Chief Financial Officer and any

conclusions of the Board, with respect to the amounts of the Profit, Target Bonus or Actual Bonus, shall be final and binding upon Executive and Company.

- d. Executive's maximum Actual Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary for that year as determined pursuant to this Agreement. In the event of modification or termination of employment hereunder, Executive's prorated Target Bonus shall not exceed such percent of prorated Base Salary.
- e. Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable unless the Company's EPS for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's EPS for the previous Fiscal Year of the Company, in each case excluding gains and losses from sales of discontinued operations and any WTC Related Gain.
- f. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made (including but not limited to any WTC Related Gain or WTC Related Carry-Over Gain realized) by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- g. Notwithstanding any other provision hereof, the Board may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as the Board shall determine in its sole discretion. The Board's decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Board reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in paragraph X.2.d above.

Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, J, K, L, O.3 and R in this Agreement shall include Company, and its subsidiary corporations and other Company affiliates.

Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

- 1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
- 2. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all conflicting provisions of Company's Guidelines for Corporate Approval and its Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.
- 3. This Agreement may not be amended except in a writing signed by the Executive and Chief Executive Officer and approved by the Company's Board of Directors.

FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, that they have been given an opportunity to review all aspects of this Agreement with an attorney if they so choose, and that they are voluntarily

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

EXHIBIT I

NAME OF EXECUTIVE: George B. Sundby

2004 EXECUTIVE PERFORMANCE BONUS MODIFIERS
RATINGS AND CALCULATION SHEET
ABM EXECUTIVE OFFICERS

	UNSATISFACTORY		NEEDS IMPROVEMENT		MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS		SUPERIOR PERFORMANCE
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Reviewer's Signature

Corp Exec Officer

INITIALS: EXECUTIVE /s/GBS COMPANY /s/HCS

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2003, by and between STEVEN M. ZACCAGNINI ("Executive") and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, Company is engaged in the building maintenance and related service businesses, and

WHEREAS, Executive is experienced in the administration, finance, marketing, and/or operation of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive wishes to, or has been and desires to remain employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be Senior Vice President of the Company and President of Commair Mechanical Services and ABM Facility Services, subject to modification as mutually agreed upon by both Company and Executive.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's Chief Operating Officer or his or her designee, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2003, for a term of two years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in San Francisco in the state of California ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 1. SALARY: A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

3. FRINGE BENEFITS: Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate.

Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

- G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) to whom Executive reports pursuant to Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in accordance with Company policy.

- H. BUSINESS CONDUCT: Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company. Executive agrees that if he or she is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of the Company, Executive will immediately advise the Company's General Counsel and Chair of the Nominating, Governance and Succession Committee of the Board of Directors.
2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company. Notwithstanding any other agreement to the contrary, Executive shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of any such ownership exceeding two percent (2%), in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
3. VERACITY: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
4. DRIVER'S LICENSE: Executive shall have a driver's permit issued by Company and shall carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
5. CODE OF CONDUCT: Executive agrees to fully comply with and annually execute a certification of compliance with the Company's Code of Business Conduct and Ethics.

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

- I. NO CONFLICT: Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.
- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies, passwords and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:
1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
 2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.
- L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:
1. Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.
 2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
 3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.

4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.
5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. MODIFICATION OF EMPLOYMENT: At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive when due all previously earned and vested but as yet unpaid, salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person(s) to whom Executive reports pursuant to Paragraph C hereof.
3. The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is

similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

N. EXTENSION OF EMPLOYMENT:

1. Absent at least ninety (90) days written Notice of Termination of Employment or Notice of Non-Renewal from Company to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another twelve (12) months, except that the base salary specified in Paragraph X.1.a may be increased as set forth in Paragraph X.1.b during the Extended Term.
2. In the event that Notice of Non-Renewal is given ninety (90) days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation.

O. TERMINATION OF EMPLOYMENT:

1.
 - a. Termination Upon Expiration Of Term. Subject to at least ninety (90) days prior written Notice of Termination of Employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof, for any or all of such notice period.
 - b. Termination For Cause. Except as provided in Paragraph O.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any (i) theft or dishonesty (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his or her employment duties, (vi) material and willful breach of this Agreement; (vii) other misconduct, unethical or unlawful activity, or for (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof.
 - c. Voluntary Termination By Executive. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, all prorated salary, prorated Target Bonus as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.
3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company and of any Company subsidiaries, as

applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus, as determined pursuant to Paragraph X.2. or other contingent compensation, reimbursement of business expenses and fringe benefits.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by a neutral arbitrator agreed upon by both parties, through mandatory, final, binding arbitration in accordance with the procedural and discovery rules of the American Arbitration Association.
2. The cost of such arbitration shall be borne by the Company. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraphs K and/or L hereof, the damage or imminent damage to the value of Company's business shall be impractical and/or impossible to estimate or ascertain, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that damages resulting from any such breach which involves any customer of Company shall be the actual damages according to proof, as determined by an arbitrator pursuant to Paragraph Q, above.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any severance payments otherwise due to Executive and from any other funds (other than wages) held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.

V. REPRESENTATIONS: Executive represents and agrees that he or she has carefully read and fully understands all of the provisions of this Agreement, that he or she is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he or she chooses to do so.

W. NOTICES:

1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: STEVEN M. ZACCAGNINI
26 Mountain Laurel
Dove Canyon, CA 92679

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Employment Counsel

2. Any such Notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. BASE SALARY:

- a. Three Hundred Nine Thousand Dollars (\$309,000) per year effective November 1, 2003 through October 31, 2004 at the monthly rate of \$25,750.00 payable semi-monthly.
- b. Effective November 1, 2004 and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
- c. At the sole discretion of the Board of Directors of the Company (the "Board"), the Company may grant a salary adjustment at any time for reasons deemed appropriate by the Board, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the maximum bonus payable under Subparagraph d, below, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:
- a. A discretionary Target Bonus shall be determined by the Company's Board for each Fiscal Year based on profit in accordance with a Bonus Plan which will be provided to Executive annually. Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 50% to 150% to determine Executive's Actual Bonus. Such adjustment shall be based on criteria contained in Executive's annual Performance Rating (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Executive Officer Compensation and Stock Option Committee of the Board and the Board.
 - b. Profit for purposes of determining such Target Bonus, shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of the Company subsidiary(s) for which Executive has management responsibility, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of such subsidiary(s), (ii) gains or losses on the sales of any discontinued business operations, (iii) any corporate charges imposed by the parent Company, and (iv) the total amount of all items of income included in the Company's audited consolidated financial statements for any Fiscal Year that result from the Company's receipt of insurance proceeds or other compensation or damages due to the Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001. At any time the Board reserves the right to further adjust Profit for purposes of determining a Target Bonus in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Board determines, in good faith, to be appropriate.

For purposes of this Agreement, the term "Significant Transaction" shall mean the Company's acquisition or disposition of a business or assets which the Company is required to report under Item 2 of the SEC Form 8-K.
 - c. The Chief Financial Officer of the Company shall calculate the Profit and Target Bonus for purposes of this Agreement. Company shall pay Executive the Actual Bonus for the Fiscal Year, or prorated Target Bonus in the event of modification or termination of employment hereunder, following completion of the audit of the Company's financial statements and approval by the Company's Executive Officer Compensation and Stock Option Committee and the Company's Board of Directors, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Actual Bonus or prorated Target Bonus earlier. The Actual Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Actual Bonus is payable. Absent bad faith or material error, any calculations of the Chief Financial Officer and any conclusions of the Board, with respect to the amounts of the Profit, Target Bonus or Actual Bonus, shall be final and binding upon Executive and Company.
 - d. Executive's maximum Actual Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary as determined pursuant to this Agreement. In the event of

modification or termination of employment hereunder, Executive's prorated Target Bonus shall not exceed such percent of prorated Base Salary.

- e. Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable unless the Company's EPS for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's EPS for the previous Fiscal Year of the Company, in each case excluding any gains and losses from sales of discontinued operations.
- f. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- g. Notwithstanding any other provision hereof, the Board may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as the Board shall determine in its sole discretion. The Board's decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Board reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in paragraph X.2.d above.

Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, J, K, L, O.3 and R in this Agreement shall include Company, and its subsidiary corporations and other Company affiliates.

Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

- 1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
- 2. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all conflicting provisions of Company's Guidelines for Corporate Approval and its Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.
- 3. This Agreement may not be amended except in a writing signed by the Executive and Chief Executive Officer and approved by the Company's Board of Directors.

FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, that they have been given an opportunity to review all aspects of this Agreement with an attorney if they so choose, and that they are voluntarily entering into this Agreement with full knowledge of the benefits and burdens, and the risks and rewards, contained herein.

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

IN WITNESS WHEREOF, Executive and an officer and Director of the Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ Steven M. Zaccagnini

Date: October 31, 2003

COMPANY: ABM INDUSTRIES INCORPORATED

Date: October 28, 2003

Signature: Donna M. Dell

Title: Sr. V.P. of Human Resources

Signature: Henrik C. Slipsager

Title: President & CEO

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

EXHIBIT I

NAME OF EXECUTIVE: Steven M. Zaccagnini

2004 EXECUTIVE PERFORMANCE BONUS MODIFIERS
RATINGS AND CALCULATION SHEET
ABM EXECUTIVE OFFICERS

	UNSATISFACTORY		NEEDS IMPROVEMENT		MEETS REQUIREMENTS		EXCEEDS REQUIREMENTS		SUPERIOR PERFORMANCE
CIRCLE ONE RATING IN EACH CATEGORY									
I. STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9
II. FINANCIAL LEADERSHIP	1	2	3	4	5	6	7	8	9
III. PERFORMANCE AGAINST BUDGET	1	2	3	4	5	6	7	8	9
IV. EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9
V. COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9
TOTAL RATING SCORE:	[]								

43 - 45 points = 150% of Profit Bonus
 40 - 42 points = 140% of Profit Bonus
 36 - 39 points = 130% of Profit Bonus
 31 - 35 points = 120% of Profit Bonus
 28 - 30 points = 110% of Profit Bonus
 25 - 27 points = 100% of Profit Bonus
 23 - 24 points = 90% of Profit Bonus
 21 - 22 points = 80% of Profit Bonus
 19 - 20 points = 70% of Profit Bonus
 16 - 18 points = 60% of Profit Bonus
 >15 points = 50% of Profit Bonus

Reviewer's Signature

Corp Exec Officer

INITIALS: EXECUTIVE /s/SMZ COMPANY /s/DMD

ABM INDUSTRIES INCORPORATED

NON-EMPLOYEE DIRECTOR RETIREMENT BENEFIT AGREEMENT

THIS AGREEMENT is entered into this _____ day of _____, ____ by and between ABM INDUSTRIES INCORPORATED ("ABM") and _____ ("Non-Employee Director"), as follows:

- 1a. Early Retirement. At any time during Non-Employee Director's term of office, upon or after completing at least five years of service as a Non-Employee Director and upon or after attaining the age of sixty-two years (but before attaining the age of seventy-two years) Non-Employee Director may, but shall not be required to, retire from membership on the Board of Directors of ABM ("Board").
- 1b. Senior Retirement. At any time during Non-Employee Director's term of office, upon or after attaining the age of seventy-two years, Non-Employee Director may, but shall not be required to, retire from membership on the Board of Directors of ABM ("Board").
- 2. Any Non-Employee Director who elects either Early Retirement or Senior Retirement shall have the title "Director Emeritus" and shall receive the retirement benefits provided below.
- 3. Director Emeritus shall be entitled to compensation as follows:
 - a. Upon Early or Senior Retirement, ABM shall pay to Director Emeritus the monthly retainer ("Monthly Retainer") received by Non-Employee Director prior to retirement, which amount shall be reduced on a pro-rata basis for fewer than ten years of service (i.e. eight years of prior service as a Non-Employee Director entitles Director Emeritus to eighty per cent of the full benefit) and such payments shall continue until the earlier of: (i) a period of ten years after the Non-Employee Director's retirement or (ii) the death of Director Emeritus.
 - b. A Non-Employee Director under age seventy-two who retires with fewer than five years service as a Non-Employee Director shall not be entitled to any retirement benefit.
- 4. Any Director Emeritus, upon or after attaining the age of seventy-two years, may elect in writing to receive a lump sum payment of the total or balance, as applicable, of the Monthly Retainer on a present value basis using an annual discount rate of eight per cent.
- 5. Upon invitation by the Board, a Director Emeritus will be welcome to attend Board meetings and other Board activities, however a Director Emeritus shall not be entitled to payment of any fees or expenses by ABM in connection with such attendance.

NON-EMPLOYEE DIRECTOR

ABM INDUSTRIES INCORPORATED

_____ BY _____

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT
AS OF OCTOBER 31, 2003

Name	State of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
ABM Industries Incorporated	Delaware	Registrant
(*) ABM Amtech Incorporated	California	100%
ABM Co. of Boston	California	100%
ABM Engineering Services Company	California	100%
ABM Facility Services Company	California	100%
ABM Global Facility Services	California	100%
International Technology Facility Services, LLC	California	50%
ABM Industries Charitable Foundation	California	n/a%
ABM Janitorial Services - Northern California	California	100%
ABM Janitorial Services Co., Ltd.	Brit. Columbia	100%
ABM Lakeside, Inc.	California	100%
ABM Mid-Atlantic, Inc.	California	100%
ABM Payroll Service, Inc.	California	100%
ABM Supply Company	California	100%
ABMI Investment Co. ***	California	100%
American Building Maintenance Co.	California	100%
American Building Maintenance Co. of Georgia	California	100%
American Building Maintenance Co. of Hawaii**	California	100%
Allied Maintenance Services, Inc.	Hawaii	100%
American Building Maintenance Co. of Illinois	California	100%
American Building Maintenance Co. of Kentucky	California	100%
American Building Maintenance Co. of New York	California	100%
American Building Maintenance Co. of New York - Manhattan	California	100%
American Building Maintenance Co. of Utah**	California	100%
American Building Maintenance Co. - West	California	100%
American Public Services	California	100%
American Commercial Security Services of New York, Inc.	California	100%
American Security and Investigative Services, Inc.	California	100%
ABMI Security Services, Inc.	California	100%
American Commercial Security Services, Inc.	California	100%
Ampco - M	California	99%
Ampco System Parking	California	100%
Amtech Energy Services**	California	100%
Amtech Lighting & Electrical Services	California	100%
Amtech Lighting Services	California	100%
Amtech Lighting Services of the Midwest	California	100%
Amtech Reliable Elevator Company of Texas**	Texas	100%
Beehive Parking, Inc.**	Utah	100%
Bonded Maintenance Company	Texas	100%
Bradford Building Services, Inc.	California	100%
Canadian Building Maintenance Company, Ltd.	Brit. Columbia	100%
Supreme Building Maintenance, Ltd.	Brit. Columbia	100%
CommAir Mechanical Services	California	100%
Commercial Air Conditioning of Northern California, Inc.	California	100%
Commercial Property Services, Inc.	California	100%
Pansini Oakland Associates ***	California	90%
Servall Services, Inc.	Texas	100%
System Parking, Inc.	California	100%
Towel and Linen Service, Inc.**	California	100%

(*) Subsidiary relationship to registrant or to subsidiary parents shown by progressive indentation.

** Inactive companies

*** A Limited Partnership

CONSENT OF INDEPENDENT AUDITORS

To the Board of Directors
 ABM Industries Incorporated:

We consent to incorporation by reference in the following Registration Statements on Form S-8 of ABM Industries Incorporated of our report dated December 9, 2003, relating to the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2003, and related financial statement Schedule II, which report appears in the October 31, 2003, annual report on Form 10-K of ABM Industries Incorporated.

Registration No.	Form	Plan
333-78423	S-8	"Age-Vested" Career Stock Option Plan
333-58408	S-8	Employee Stock Purchase Plan
333-78421	S-8	"Time-Vested" Incentive Stock Option Plan
333-48857	S-8	Long-Term Senior Executive Stock Option Plan
333-85390	S-8	2002 Price-Vested Performance Stock Option Plan

/s/ KPMG LLP

KPMG LLP

San Francisco, California
 January 13, 2004

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PERSUANT 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 annual report on Form 10-K 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 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any 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 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.

January 14, 2004

/s/ Henrik C. Slipsager

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

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

I, George B. Sundby, certify that:

1. I have reviewed this annual report on Form 10-K 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 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any 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 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.

January 14, 2004

/s/ George B. Sundby

George B. Sundby
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the annual report of ABM Industries Incorporated (the "Company") on Form 10-K for the year ended October 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henrik C. Slipsager, Chief Executive Officer of the Company, and George B. Sundby, 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 (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.

January 14, 2004

/s/ Henrik C. Slipsager

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

January 14, 2004

/s/ George B. Sundby

George B. Sundby
Chief Financial Officer
(Principal Financial Officer)