

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended October 31, 2002

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 94111

(Address of principal executive offices) (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	Name of Each Exchange on Which Registered
Common Stock, \$.01 par value	New York Stock Exchange
Preferred Stock Purchase Rights	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.

As of November 30, 2002, nonaffiliates of the registrant beneficially owned 39,011,613 shares of the registrant's common stock with an aggregate market value of \$578,932,337.

As of November 30, 2002, there were 49,070,289 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 2003 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, 2002
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PART I

ITEM 1. BUSINESS

ABM Industries Incorporated (“ABM”) is the largest facility services contractor listed on the New York Stock Exchange. With annual revenues exceeding \$2.1 billion and more than 62,000 employees, ABM and its subsidiaries (the “Company”) provide janitorial, parking, engineering, security, lighting, elevator and air conditioning services to thousands of commercial, industrial, institutional and retail facilities in hundreds of cities across North America.

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.

Industry Information

The Company’s operations are grouped into eight divisions (each comprised of one or more subsidiaries of the Company), as they existed at October 31, 2002. Referred to as the “ABM Family of Services”, they are:

- ABM Janitorial Services
- Ampco System Parking
- ABM Engineering Services
- American Commercial Security Services
- Amtech Lighting Services
- Amtech Elevator Services
- CommAir Mechanical Services
- ABM Service Network

Additional information relating to the Company’s industry segments appears in Note 13 of Notes to Consolidated Financial Statements contained in Item 8, “Financial Statements and Supplementary Data.” The business activities of the Company’s industry segments, as they existed at October 31, 2002, are more fully described below.

- **ABM Janitorial Services** (also known as “American Building Maintenance” and “ABM Lakeside Building Maintenance”) provides a wide range of basic janitorial services for a variety of facilities, including office buildings, industrial plants, banks, department stores, theaters, warehouses, educational and health institutions, and airport terminals. Services provided include floor cleaning and finishing, wall and window washing, furniture polishing, rug cleaning and dusting, as well as other building cleaning services. ABM Janitorial Services maintains 106 offices in 35 states, the District of Columbia and one Canadian province, and operates under thousands of individually negotiated building maintenance contracts, nearly all of which are obtained by competitive bidding. Generally, profit margins on maintenance contracts tend to be inversely proportional to the size of the contract. The Division’s maintenance 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. The majority of ABM Janitorial Services contracts are for one-year periods, but are subject to termination by either party after a 30 to 90 day written notice and contain automatic renewal clauses.

The operations of Lakeside Building Maintenance, Inc. and an affiliated company (collectively, Lakeside) were acquired by the Company on July 12, 2002. Chicago-based Lakeside operated as the largest privately-owned janitorial contractor in the Midwest, with operations in Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Louisville, Milwaukee, Nashville and St. Louis.

- **Ampco System Parking** (also known as “Ampco System Airport Parking” and “Ampco Express Airport Parking”) operates approximately 1,700 parking lots and garages, including the following airports: Austin, Texas; Denver, Colorado; Detroit, Michigan; Honolulu, Hawaii; Orlando, Florida; and San Francisco, California, to name a few. In conjunction with its on-airport parking services, this Division 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 thirteen 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. Ampco System Parking maintains 30 offices and operates in 26 states.

- **ABM Engineering Services** 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 ("CMMS"). These services are primarily designed for high-rise office buildings, but customers also include schools, computer centers, shopping malls and universities. ABM Engineering Services operates in 19 states through ten regional offices, three of which are in California and one each in Arizona, Colorado, Florida, Illinois, Pennsylvania, New York and Texas. The Division has maintained ISO 9002 Certification for the past four years, the only national engineering services provider of on-site operating engineers to earn this exclusive 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.

- **American Commercial Security Services** (also known as "ACSS" and "ABM Security Services") provides security guards; electronic monitoring of fire, life, safety and access control devices; and security consulting services' to a wide range of businesses. This Division maintains 24 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; Philadelphia and Pittsburgh, Pennsylvania; and Washington, D.C. Much like ABM Janitorial Services, the majority of this Division's contracts are for one-year periods, but are subject to termination by either party after a 30 to 90 day written notice and contain automatic renewal clauses.

- **Amtech Lighting Services** provides relamping, fixture cleaning, and periodic lighting maintenance service to a variety of commercial, industrial and retail facilities. Amtech Lighting Services also repairs and maintains electrical outdoor signage, and provides electrical service and repairs. This Division operates 28 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, Louisiana, Minnesota, Nevada, New Jersey, New York, Ohio, Oklahoma, Oregon and Washington.

- **Amtech Elevator Services** maintains, repairs and modernizes elevators and escalators in major metropolitan areas of California; Houston, Texas; Detroit, Michigan; Las Vegas, Nevada; Atlanta, Georgia; Philadelphia, Pennsylvania; Phoenix, Arizona; Denver, Colorado; Chicago, Illinois; and Washington, D.C. Amtech Elevator Services maintains 15 offices and several parts warehouses, and operates a fleet of radio-equipped service vehicles.

- **CommAir Mechanical Services** (also known as "CommAir Preferred Mechanical Services") installs, maintains and repairs heating, ventilation and air conditioning ("HVAC") equipment, performs chemical water treatment and provides energy conservation services for commercial, industrial and institutional facilities. CommAir Mechanical Services maintains nine offices, eight of which are located in California, and one in Phoenix, Arizona.

- **ABM Service Network** (also known as "ABM Facility Services") 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 divisions, this Division 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 Center provides centralized dispatching, emergency services, accounting and related reports to financial institutions, high-tech companies and other customers regardless of industry or size. ABM Service Network is headquartered in San Francisco, where it also maintains the National Service Center.

Trademarks

The Company believes that it owns or is licensed to use all corporate names, trade names, 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. Nearly all services provided by the Company are under contracts originally obtained through competitive bidding. The majority of the Company's competitors are regional and local companies located in major cities throughout the United States and Canada that operate in a limited geographic area. The operating divisions of a few large, diversified facility service and manufacturing companies compete with the Company on a national basis.

Sales and Marketing

The Company's sales and marketing efforts are conducted by its corporate, division, 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 airports, apartment complexes, city centers, colleges and universities, financial institutions, industrial plants, office buildings, retail stores, shopping centers and theme parks. No customer accounted for more than 5% of its revenues during the fiscal year ended October 31, 2002.

Employees

The Company employs over 62,000 persons, of whom the vast majority are service employees who perform janitorial, parking, engineering, security, lighting, elevator and air conditioning services. Approximately 27,800 of these employees are covered under collective bargaining agreements. 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, cash flows or its results of operations.

The Company is currently involved in five proceedings relating to environmental matters: one involving alleged potential soil and groundwater contamination at a Company facility in Florida; one involving alleged potential soil contamination at a former Company facility in Arizona; one involving alleged potential soil and groundwater contamination at a former dry-cleaning facility leased by the Company in Nevada; one involving alleged potential soil contamination at a former parking facility leased by the Company in Washington; and one involving alleged potential soil and groundwater contamination at a third party recycling center in Southern California. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's financial position, cash flows, or results of operations. Two of the five proceedings are subject to ongoing settlement negotiations and a reserve of \$300,000 has been set aside for the potential liability. The liability related to the other three claims is neither probable nor estimable, hence no accruals have been made related to these matters.

Executive Officers of ABM

The executive officers of ABM are as follows:

Name	Age	Principal Occupations and Business Experience During Past Five Years
Henrik C. Slipsager	47	President & Chief Executive Officer and 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	62	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	45	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
Donna M. Dell	54	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	51	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	51	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	41	Senior Vice President of ABM since September 2002; President of CommAir Mechanical Services since September 2002; President of ABM Service Network since April 2002; Senior Vice President of Jones Lang LaSalle from April 1989 through February 2002
Maria P. Y. de la Peña	43	Vice President & Controller 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; Accounting Manager of Transamerica Corporation from March 1994 through November 1997
David L. Farwell	41	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; Assistant Treasurer of Verifone Corporation from December 1996 through September 1997; Portfolio Manager of Microsoft Corporation from August 1994 through November 1996

ITEM 2. PROPERTIES

The Company has corporate, division, regional, branch or district offices in over 250 locations throughout the United States and Canada. Fourteen of these facilities are owned by the Company. At October 31, 2002, the real estate owned by the Company had an aggregate net book value of \$3.6 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 \$100.2 million for the fiscal year ended October 31, 2002. Of this amount, \$65.8 million in rental expense was attributable to public parking lots and garages leased and operated by Ampco System Parking. The remaining expense was for the rental or lease of office space, computers, operating equipment and motor vehicles.

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

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

Market Information and Dividends

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

	Fiscal Quarter				Year
	First	Second	Third	Fourth	
Fiscal Year 2002					
Price range of common stock:					
High	\$ 16.40	\$ 19.24	\$ 19.59	\$ 17.69	\$19.59
Low	\$ 13.36	\$ 14.88	\$ 14.00	\$ 12.92	\$12.92
Dividends per share	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.36
Fiscal Year 2001					
Price range of common stock:					
High	\$ 16.07	\$ 16.50	\$ 19.10	\$ 18.83	\$19.10
Low	\$ 13.78	\$ 14.23	\$ 15.36	\$ 12.48	\$12.48
Dividends per share	\$0.0825	\$0.0825	\$0.0825	\$0.0825	\$ 0.33

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. The per share amounts set forth above have been retroactively restated to reflect the stock split.

At November 30, 2002, there were 4,451 registered holders of ABM's common stock, in addition to stockholders in street name.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data presented below is derived from the Company's consolidated financial statements for each of the years in the five-year period ended October 31, 2002. The share data has been retroactively restated to reflect the stock split on March 12, 2002.

(in thousands, except per share data and ratios)	2002	2001	2000	1999	1998
Operations					
Revenues:					
Sales and other income	\$2,181,932	\$2,149,171	\$1,993,859	\$1,798,150	\$1,669,820
Gain on insurance claim	10,025	—	—	—	—
Total revenues	2,191,957	2,149,171	1,993,859	1,798,150	1,669,820
Expenses:					
Operating expenses and cost of goods sold	1,946,750	1,919,054	1,757,619	1,579,524	1,464,163
Selling, general and administrative	174,827	162,313	149,029	139,674	136,052
Interest	1,052	2,602	3,320	1,959	3,465
Goodwill amortization	—	12,257	11,198	9,761	8,632
Total expenses	2,122,629	2,096,226	1,921,166	1,730,918	1,612,312
Income before income taxes	69,328	52,945	72,693	67,232	57,508
Income taxes	22,600	20,119	28,350	27,565	23,578
Net income	\$ 46,728	\$ 32,826	\$ 44,343	\$ 39,667	\$ 33,930
Net income per common share					
Basic	\$ 0.95	\$ 0.68	\$ 0.97	\$ 0.89	\$ 0.79
Diluted	\$ 0.92	\$ 0.65	\$ 0.92	\$ 0.82	\$ 0.72
Average common and common equivalent shares					
Basic	49,116	47,598	45,102	44,134	42,220
Diluted	51,015	50,020	47,418	47,496	46,322
Financial Statistics					
Dividends paid per common share	\$ 0.36	\$ 0.33	\$ 0.31	\$ 0.28	\$ 0.24
Stockholders' equity	\$ 386,670	\$ 361,177	\$ 316,309	\$ 276,951	\$ 236,838
Common shares outstanding	48,997	48,778	45,998	44,814	43,202
Stockholders' equity per common share	\$ 7.89	\$ 7.40	\$ 6.88	\$ 6.18	\$ 5.48
Working capital	\$ 210,695	\$ 229,542	\$ 224,199	\$ 184,279	\$ 165,788
Net operating cash flows	\$ 110,919	\$ 65,796	\$ 18,925	\$ 35,305	\$ 32,061
Current ratio	1.93	1.97	2.05	2.01	2.05
Long-term debt (less current portion)	\$ —	\$ 942	\$ 36,811	\$ 28,903	\$ 33,720
Redeemable cumulative preferred stock	\$ —	\$ —	\$ 6,400	\$ 6,400	\$ 6,400
Total assets	\$ 704,939	\$ 683,100	\$ 641,985	\$ 563,384	\$ 501,363
Trade accounts receivable — net	\$ 318,376	\$ 367,201	\$ 353,017	\$ 290,920	\$ 255,758
Goodwill	\$ 167,916	\$ 113,199	\$ 109,407	\$ 105,583	\$ 102,776
Property, plant and equipment — net	\$ 36,266	\$ 42,936	\$ 40,734	\$ 35,181	\$ 27,307
Capital expenditures	\$ 7,491	\$ 16,922	\$ 18,717	\$ 19,451	\$ 11,715
Depreciation and intangible amortization	\$ 15,182	\$ 14,071	\$ 12,326	\$ 10,937	\$ 10,961

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.

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. Unless otherwise stated, all references to the number of shares of ABM's common stock and per share amounts of ABM's common stock have been retroactively restated to reflect the increased number of shares resulting from the stock split.

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. On June 28, 2002, the Company entered into a three-year unsecured revolving credit agreement with a syndicate of U.S. banks that provides a \$150 million line of credit. This agreement replaced the Company's unsecured revolving credit agreement in an equal amount that expired on July 1, 2002. Under the terms of the new credit facility, no compensating balances are required and the interest rate is determined at the time of borrowing based on the London interbank offered rate (LIBOR) plus a spread, or prime rate for overnight borrowing. As of October 31, 2002, the total amount outstanding in the form of standby letters of credit was \$102 million compared to \$52 million as of October 31, 2001, which was comprised of \$10 million of loans and \$42 million of standby letters of credit. The increase is primarily due to the use of standby letters of credit instead of financial responsibility bonds for certain self-insurance agreements. The credit agreement requires the Company to meet certain financial ratios, places some limitations on outside borrowings, and restricts the amount of capital stock that the company may repurchase during a fiscal year. The Company's effective weighted average interest rate (excluding amortization of related fees) for all Eurodollar, Prime and Fixed Rate borrowings for the year ended October 31, 2002 was 3.20%.

Operating activities generated cash flows in 2002, 2001 and 2000 of \$110.9 million, \$65.8 million and \$18.9 million, respectively. Operating cash flows have increased significantly, primarily due to higher cash collection from customers, and in 2002 the receipt of two partial settlements totaling \$13.3 million in gross insurance proceeds related to the destruction of the World Trade Center in 2001.

Net cash used in investing activities in 2002, 2001 and 2000 was \$59.3 million, \$27.0 million and \$31.4 million, respectively. The increase in cash used in investing activities in 2002 from 2001 primarily reflects the down payment for the acquisition of Lakeside Building Maintenance (see Footnote 10 of the Financial Statements), which was by far the largest acquisition made by the Company during the last three years, offset by the decrease in capital expenditures in 2002 due to reduced investment in information technology as implementation of the Company's new accounting system nears completion (see Footnote 1 of the Financial Statements). The cash used in investing activities in 2001 included \$12 million of proceeds from the sale of Easterday Janitorial Supply in April 2001.

Net cash used in financing activities decreased slightly to \$35.2 million in 2002 from \$37.7 million in 2001 primarily due to lower debt repayments partially offset by common stock purchases in 2002. In 2000, financing activities provided \$12.3 million of net cash. This change in 2001 from 2000 was primarily due to repayments of bank debt in 2001 of \$41.8 million compared with net borrowings in 2000 of \$18.9 million.

On September 16, 2001 the Company's Board of Directors authorized the purchase of up to two million shares (post-split) of its outstanding stock at any time through December 31, 2001. On December 17, 2001, the Board of Directors extended this authorization to purchase until December 31, 2002. On December 10, 2002, the Board of Directors extended this authorization through January 31, 2003. As of October 31, 2002, the Company had purchased 1.4 million shares at a cost of \$23.6 million (i.e. an average price per share of \$16.88) under this authorization.

At October 31, 2002, working capital was \$210.7 million, compared to \$229.5 million at October 31, 2001. The largest component of working capital consists of trade accounts receivable that totaled \$318.4 million at October 31, 2002, compared to \$367.2 million at October 31, 2001. These amounts were net of allowances for uncollectible accounts of \$6.6 million and \$9.4 million at October 31, 2002 and October 31, 2001, respectively. As of October 31, 2002, accounts receivable that were over 90 days past due had decreased by \$14.3 million to \$41.6 million (13% of the total outstanding) from \$55.9 million (15% of the total outstanding) at October 31, 2001, primarily due to increased collection efforts.

The Company made five cash advances totaling \$3.4 million in 2002 to SiteStuff, Inc. as part of a secured convertible promissory note agreement. SiteStuff, Inc. is an e-commerce enterprise within the real estate industry designed to provide owners and managers of real estate the ability to aggregate their buying power for procurement of goods and services. The provisions of this note agreement provide for additional advances payable upon written request by SiteStuff, Inc. at any time prior to May 13, 2003, up to a maximum advance of the lesser of \$4.0 million or 80% of its current customer receivables. Interest of 5% on any outstanding amount is payable in arrears at the end of each calendar quarter. The note is secured by the customer accounts of SiteStuff, Inc., as well as records, cash accounts and proceeds related to those accounts.

The Company self-insures certain insurable risks such as general liability, property damage and workers' compensation. Commercial umbrella policies are obtained to provide for \$125 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 \$500,000 to \$1 million per occurrence due to the general insurance market conditions. Despite the increased retention, the price of recent renewals of 2003 umbrella policies is significantly higher and this has been factored into the self-insurance rates charged by the Company to its divisions in 2003. The Company annually retains an outside actuary to review the adequacy of its self-insurance claim reserves.

Contractual Obligations and Commercial Commitments

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements. As of October 31, 2002, 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	\$186,775	\$50,660	\$59,709	\$30,783	\$45,623

Additionally, the Company has the following commercial commitments (in thousands):

(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	\$101,828	\$101,828	—	—	—
Financial Responsibility Bonds	1,883	1,883	—	—	—
	\$103,711	\$103,711	—	—	—

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

The Company has commercial insurance policies covering business interruption, property damage and other losses related to this tragic incident. As previously reported by the Company, the World Trade Center complex in New York was the Company's largest single job-site with annual sales of approximately \$75 million (3% of ABM's consolidated sales for 2001). The Company has been working with its insurance carrier, Zurich Insurance, in providing claim information regarding the lost business income and, as described further below, has substantially settled the property portion of the claim. 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 million. The trial date is set for January 2003. Based on a review of the policy and consultation with legal counsel and other specialists, the Company believes that its business interruption claim does not fall under the \$10 million sub-limit on contingent business interruption. Zurich's filing does not impact any other aspects of the claim. As of October 31, 2002, Zurich paid two partial settlements totaling \$13.3 million, of which \$10 million is for business interruption and \$3.3 million for property damage. The Company realized a pretax gain of \$10 million in 2002 on the proceeds received.

Under the guidance published by the Emerging Issues Task Force of the Financial Accounting Standards Board "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 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.

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.

Acquisitions

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition and are more fully discussed in Note 10 to the Consolidated Financial Statements. Acquisitions made during the three years ended October 31, 2002, contributed approximately \$175 million (8%) to 2002 sales.

Results of Operations

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 has 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 will be 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, 2002, 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 divisions for the years ended October 31, 2001 and 2000 and reported separately.

In January 2002, the Emerging Issues Task Force (EITF) released Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred", which the Company adopted in the third quarter of fiscal 2002. For the Company's Ampco System Parking Division, this pronouncement requires both revenues and expenses be classified, in equal amounts, for costs directly reimbursed for the parking facilities that it manages on behalf of its 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 classification of any other ABM divisions. Amounts have been reclassified to conform to the presentation of these reimbursed expenses in all prior periods presented. Adoption of the pronouncement resulted in an increase in total revenues and total costs and expenses in equal amounts of \$203.8 million, \$199.1 million and \$186.3 million for years ended October 31, 2002, 2001 and 2000, respectively. This reclassification has no impact on operating profits or net income.

COMPARISON OF 2002 TO 2001

Net income for 2002 was \$46.7 million (\$0.92 per diluted share), an increase of 42.4% from the net income of \$32.8 million (\$0.65 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 Insurance totaling \$13.3 million related to the World Trade Center; the impact of new acquisitions, primarily Lakeside Building Maintenance in July 2002, which contributed \$3.5 million of operating

profit in 2002; a \$2.0 million non-recurring income tax benefit from the adjustment of prior year tax liabilities; a \$1.4 million tax benefit from a lower income tax rate; \$1.0 million 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 parking lease. 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 Corporate General Counsel and the replacement of the President of ABM Service Network; a \$3.2 million pretax increase in operating expenses in New York City as a result of the World Trade Center related increase in seniority-based payroll and unemployment insurance costs at other job-sites in New York City; a \$1.2 million pretax write-down of work-in-progress; and \$1.0 million of professional fees related to the World Trade Center insurance claim. Additionally, the bad debt expense for 2002 was \$5.8 million higher than 2001, primarily due to increased bankruptcies. Lastly, the business lost at the World Trade Center had higher gross margins than those obtained on new business.

Results for 2001 included a \$20 million pretax insurance charge; \$12.3 million of pretax goodwill amortization expense; and a pretax gain of \$0.7 million from the sale of Easterday Janitorial Supply in April 2001. Additionally, for the fiscal year ended October 31, 2001, the Company realized pretax income of \$8.4 million on revenue of \$71 million from the World Trade Center and adjacent facilities.

Sales and other income (hereinafter called "sales") for 2002 of \$2.2 billion increased by 1.5% compared to \$2.1 billion for 2001 despite the loss of the World Trade Center and the sale of Easterday Janitorial Supply. Easterday contributed \$16 million to sales for the first six months of 2001. Offsetting the absence of the World Trade Center and Easterday sales in 2002 were sales from the newly acquired operations of Lakeside Building Maintenance in the Midwest and other new business, primarily in the American Commercial Security Services. Sales generated from acquisitions during the prior year contributed \$10.8 million of the 2002 increase, while the current year 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 Ampco System Parking.

As a percentage of sales, operating expenses and cost of goods sold was 89.2% for 2002, compared to 89.3% for 2001. Consequently, as a percentage of sales, the Company's gross profit (sales minus operating expenses and cost of goods sold) of 10.8% in 2002 was higher than the gross profit of 10.7% in 2001.

Selling, general and administrative expenses were \$174.8 million in 2002, an increase of 7.7% from \$162.3 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, \$5.8 million of higher bad debt expense due to increased bankruptcies, and \$1.0 million of professional expenses associated with the World Trade Center insurance claim. Accordingly, as a percentage of sales, selling, general and administrative expenses increased to 8.0% in 2002 from 7.6% in 2001.

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.

The effective tax rate for 2002 was 32.6%, compared to 38.0% for 2001. The decline was primarily due to a \$2.0 million non-recurring benefit from the adjustment of the prior year's estimated tax liabilities and a \$1.4 million benefit from the reduction in the state tax rate and non-deductible expenses.

The Company is currently organized into eight separate operating divisions. Using the criteria of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", ABM Janitorial Services, Ampco System Parking, ABM Engineering Services, American Commercial Security Services, Amtech Lighting Services, and Amtech Elevator Services are reportable segments. Results of ABM Service Network, CommAir Mechanical Services and Easterday Janitorial Supply, prior to its sale on April 29, 2001, are included in the Other segment. Additional information relating to the Company's industry segments appears in Note 13 of Notes to Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data." The results of operations from the Company's operating divisions for 2002 as compared to 2001 are more fully described below. The comparison of the fiscal years are related to the sales and operating profits in Note 13. Operating profits exclude goodwill

amortization from both periods to provide a comparable analysis.

ABM Janitorial Services reported sales for 2002 of \$1.2 billion, an increase of 3.2%, from 2001. Sales included \$1.0 million of interest income from the resolution of past due balances with two customers. Janitorial accounted for nearly 55% of the Company's consolidated sales in 2002. ABM Janitorial Services sales increased primarily due to the impact of new acquisitions partially offset by the loss of the World Trade Center. 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 ABM Lakeside Building Maintenance. Operating profits decreased 19.6% in 2002 to \$54.3 million as compared to 2001 due to the loss of the World Trade Center, and \$3.2 million of pretax increase in operating expenses in New York City as a result of the World Trade Center related increase in seniority-based payroll and unemployment insurance costs which could not be absorbed through increased pricing. Furthermore, bad debt expense increased to \$6.3 million in 2002 compared to \$2.1 million in 2001 due to increased bankruptcies.

Ampco System 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 absorbed through increased pricing.

Sales for ABM Engineering Services 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 World Trade Center contract. Operating profits increased 6.7% to \$10.0 million from 2001 to 2002, due to increased business and improved profit margins at the contract level.

American Commercial Security Services sales increased 35.2% to \$140.6 million due to the acquisitions of Sundown Security in June 2001, Triumph Security in January 2002, and Foulke Security in February 2002, as well as the addition of several large accounts including Microsoft Corporation. Tag sales, or sales in addition to recurring fees, were also higher due to heightened security concerns after the September 11, 2001 terrorist attacks. Operating profits increased 77.7% to \$5.6 million in 2002 compared to fiscal year 2001 operating profits primarily due to increased sales and lower costs due to tighter control over labor and operating expenses.

Amtech Lighting Services 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 World Trade Center.

Sales for Amtech Elevator Services decreased by 6.2% to \$113.9 million in 2002 compared to 2001, primarily due to the decline in service and modernization contract work and the loss of two large service contracts in San Francisco and Orange County. The Division reported a 13.8% decrease in operating profits for 2002 to \$4.3 million as compared to 2001. This reduction in operating profits can be attributed primarily to completed contracts; lower margins on modernization projects, primarily in the Division's Chicago, Philadelphia and Atlanta offices; and higher operating expenses, including data processing, insurance and bad debt expense.

Sales for Other Divisions were down 24.6% to \$62.0 million, and 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 lower sales from fewer projects, a write-down of work-in-progress and an additional bad debt provision totaling approximately \$1.7 million in the CommAir Mechanical Services Division, a \$1.3 million bad debt provision in the ABM Service Network Division 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 ABM Services Network. Included in the results for 2001 was the pretax gain of \$0.7 million from the sale of Easterday Janitorial Supply in the second quarter of 2001.

Corporate expenses for 2002 include a \$2.8 million pretax provision for costs associated with the elimination of the Chief Administrative Officer

position and the early retirement of the Corporate General Counsel, and \$1.0 million of professional fees related to the World Trade Center insurance claim. Included in 2001 is \$20 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. Based on the annual actuarial review completed in November 2002, the self-insurance reserves as of the end of 2002 were deemed adequate.

COMPARISON OF 2001 TO 2000

Net income for 2001 fell by 26% to \$32.8 million (\$0.65 per diluted share) from \$44.3 million (\$0.92 per diluted share) in 2000 primarily due to a \$12.4 million after tax charge (\$0.25 per diluted share) to strengthen the Company's self-insurance reserves reflecting the results of the annual independent actuarial review completed in December 2001. Excluding the insurance charge, net income per diluted share declined 3% primarily due to the increase in diluted average shares outstanding resulting from the exercise of stock options.

The actuarial report in 2001 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 claims incurred but not reported called for an increase of approximately \$8.5 million for 2001 claims, while approximately \$10.5 million reflects the unfavorable trend on pre-2001 claims. Additionally, 2001 required a loss of \$1.0 million in claims related to the World Trade Center terrorist attack. As a result of the Company's 2001 claims experience, the Company increased the self-insurance rates that it charged to the divisions in 2002 by 21% over 2001. The estimated future charge was intended to account for the 2001 experience and trends.

Sales and other income were over \$2.1 billion in 2001, up \$155 million or 8% from \$2.0 billion in 2000. The increase in sales in 2001 over 2000 was attributable to new business and acquisitions made during the prior years. Sales generated from acquisitions during 2000 contributed \$9.4 million of the 2001 increase, while the 2001 acquisitions added \$65.7 million.

As a percentage of sales, operating expenses and cost of goods sold were 89.3% for 2001, compared to 88.2% in 2000. Consequently, as a percentage of sales, the Company's gross profit of 10.7% in 2001 was lower than the gross profit of 11.8% in 2000. The decrease in gross profit as a percentage of sales was mostly due to the \$20 million insurance adjustment, higher labor and related costs, and continued competitive pressure to maintain or lower prices.

Selling, general and administrative expenses were \$162.3 million in 2001, an increase of 9% from \$149.0 million in 2000. As a percentage of sales, selling, general and administrative expenses increased to 7.6% for 2001 from 7.5% for 2000, primarily due to an increase in bad debt expense of \$3.2 million over the prior year and to salaries and expenses associated with acquisitions.

Interest expense was \$2.6 million in 2001, compared to \$3.3 million for 2000, a decrease of \$0.7 million. This decrease was primarily due to lower weighted average borrowings and lower interest rates in 2001.

The effective income tax rate for 2001 was 38%, compared to 39% in 2000. The lower tax rate was due for the most part to a significant increase in the federal work opportunity tax credits in relation to pre-tax income. Hence, income taxes for 2001 included \$0.5 million of tax benefit from a lower tax rate.

The results of operations from the Company's operating divisions for 2001 as compared to 2000 are more fully described below:

ABM Janitorial Services reported sales for 2001 of \$1.2 billion, a 10% increase of \$107 million from 2000. Sales increased as a result of acquisitions and new business, particularly in the Mid-Atlantic and Northeast regions. Sales generated from acquisitions during 2000 contributed \$4.8 million of the 2001 increase while the 2001 acquisitions added \$51.1 million. ABM Janitorial Services' operating profits increased 13% in 2001 to \$67.6 million when compared to 2000. The higher percentage increase in profits compared to sales can be primarily attributed to the Company's fixed price contracts on which hourly workers were paid one less workday in 2001 compared to 2000. The change in the number of workdays affects the profit margin on this type of contract.

Ampco System Parking reported a 2% increase in sales to \$365 million during 2001 compared to 2000. Operating profits decreased by 42% to \$6.6 million during 2001 compared to 2000. The decrease in operating profits resulted from the loss

of three airport contracts, the effect of terrorist attacks on September 11, 2001 on sales at airport and hotel facilities, and increased litigation expense and insurance costs.

ABM Engineering Services increased sales by 9% in 2001 from 2000 to \$171 million, while its operating profits increased 10% to \$9.4 million for 2001 compared to 2000. The sales increase was due primarily to additional business. The increase in operating profits was due to the increase in sales and slightly higher profit margins as a result of lower administrative costs.

American Commercial Security Services sales increased by 2% to \$104 million, and its operating profit increased by 61% to \$3.2 million, in 2001 compared to 2000. The increase in operating profits resulted from lower costs due to tighter control over labor and operating expenses.

Amtech Lighting Services reported a 22% sales increase to \$144 million in 2001 from 2000 due to acquired business from the purchase of SLI Lighting Solutions in March 2001, and sales increases in the Northwest region. The smaller increase in operating profits of 11% to \$12.0 million during 2001 compared to the prior year is attributable to lower margins in the Southeast on business acquired in 2000.

Sales for Amtech Elevator Services were \$121 million, up by 6% for 2001 over 2000, largely due to an increased customer base. The Amtech Elevator Division reported \$5.0 million in operating profits in 2001, a 29% decrease compared to 2000. This decrease in operating profits can be attributed primarily to lower margins on maintenance contracts and losses on several modernization contracts, as well as higher insurance, bad debt, communications and computer related expenses.

The Other Segment represents the results of the remaining divisions including the operating results of Easterday Janitorial Supply Company prior to its sale effective April 30, 2001, which includes a pre-tax gain of \$0.7 million. The sales price of \$12 million included a \$3.7 million premium over the book value of the net assets sold. The pre-tax gain is 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 million, write-offs of intangible assets of \$0.3 million, and second quarter operating losses of \$0.4 million. The loss of Easterday's income in the third and fourth quarter of 2001 was more than offset by the increase in the operating profits of the Company's CommAir Mechanical Services Division.

The significant increase in unallocated Corporate expenses for 2001 included the \$20 million insurance adjustment mentioned previously, and centralization of marketing and sales expenses compared to the prior year. While virtually all insurance claims arise from the operating divisions, this adjustment was included in unallocated corporate expenses. Had the Company allocated the insurance adjustment among the divisions, the reported pre-tax operating profits of the divisions, as a whole, would have been reduced by \$20 million, with an equal and offsetting change to unallocated Corporate expenses, and therefore no change to consolidated pre-tax earnings.

Recent Accounting Pronouncements

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations", which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 is not anticipated to have a material effect on the Company's results of operations or financial condition.

In August 2001, FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of", and elements of APB 30, "Reporting the Results of Operations — Reporting the Effects on Disposal of a Segment of a Business and Extraordinary, Unusual or Infrequently Occurring Events and Transactions". SFAS No. 144 establishes a single-accounting model for long-lived assets to be disposed of while maintaining many of the provisions relating to impairment testing and valuation. SFAS No. 144 is effective for fiscal years beginning after December 31, 2001. The adoption of SFAS No. 144 is not anticipated to have a material effect on the Company's results of operations or financial condition.

In July 2002, FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires compa-

nies 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, plant closing, or other exit or disposal activity. Statement 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 to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Management does not expect this statement to have a material impact on the Company's financial statements.

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, 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 insurance costs for each division, 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 number of claims incurred were to increase, or the severity of the claims were to increase, the Company may be required to record an additional expense 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, 2002, the net deferred tax asset was \$63.5 million and no valuation allowance was recorded. Should future income be less than anticipated, the net deferred tax asset may not be recoverable.

Contingencies and Litigation: ABM and certain of its subsidiaries have been named defendants in certain litigation 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 may result in a loss.

Safe Harbor Statement

Cautionary Safe Harbor Disclosure for Forward Looking Statements under the Private Securities Litigation Reform Act of 1995: Because of the factors set forth below, as well as other variables affecting the Company's operating results, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future

periods. The statements contained herein which are not historical facts are forward-looking statements that are subject to meaningful risks and uncertainties, including but not limited to: (1) significant decreases in commercial real estate occupancy, resulting in reduced demand and prices for building maintenance and other facility services in the Company's major markets, (2) loss or bankruptcy of one or more of the Company's major customers, which could adversely affect the Company's ability to collect its accounts receivable or recover its deferred costs, (3) major collective bargaining issues that may cause loss of revenues or cost increases that non-union companies can use to their advantage in gaining market share, (4) significant shortfalls in adding additional customers in existing and new territories and markets, (5) a protracted slowdown in the Company's acquisition activities, (6) legislation or other governmental action that severely impacts one or more of the Company's lines of business, such as price controls that could restrict price increases, or the unrecovered cost of any universal employer-paid health insurance, as well as government investigations that adversely affect the Company, (7) reduction or revocation of the Company's line of credit, which would increase interest expense or the cost of capital, (8) cancellation or nonrenewal of the Company's primary insurance policies, as many customers contract out services based on the contractor's ability to provide adequate insurance coverage and limits, (9) catastrophic uninsured or underinsured claims against the Company, the inability of the Company's insurance carriers to pay otherwise insured claims, or inadequacy in the Company's reserve for self-insured claims, (10) inability to employ entry level personnel due to labor shortages, (11) resignation, termination, death or disability of one or more of the Company's key executives, which could adversely affect customer retention and day-to-day management of the Company, (12) inability to successfully integrate Lakeside Building Maintenance or other acquisitions into the Company, (13) inability to timely increase prices to cover all or any portion of increased costs, and (14) other material factors that are disclosed from time to time in the Company's public filings with the United States Securities and Exchange Commission, such as reports on Forms 8-K, 10-K and 10-Q.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes, although options on the Company's common stock are traded on the American Stock Exchange without the Company's approval and consent. 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. The Company has no outstanding debt. Although the Company had over \$19 million in cash and cash equivalents, at year-end, market rate risk associated with falling 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, 2002 and 2001, 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, 2002. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2002, 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

December 10, 2002

CONSOLIDATED BALANCE SHEETS

October 31	2002	2001
(in thousands, except share data)		
Assets		
Cash and cash equivalents	\$ 19,427	\$ 3,052
Trade accounts receivable (less allowances of \$6,605 and \$9,420)	318,376	367,201
Inventories	30,055	25,974
Deferred income taxes	30,002	26,806
Prepaid expenses and other current assets	39,925	42,508
Total current assets	437,785	465,541
Investments and long-term receivables	14,952	13,871
Property, plant and equipment (less accumulated depreciation of \$70,522 and \$65,951)	36,266	42,936
Goodwill (less accumulated amortization of \$73,264)	167,916	113,199
Deferred income taxes	33,542	35,400
Other assets	14,478	12,153
Total assets	\$704,939	\$683,100
Liabilities		
Current portion of long-term debt	\$ —	\$ 10,877
Trade accounts payable	51,585	50,671
Income taxes payable	6,579	6,816
Accrued liabilities:		
Compensation	62,412	62,854
Taxes — other than income	13,923	20,409
Insurance claims	50,969	48,193
Other	41,622	36,179
Total current liabilities	227,090	235,999
Long-term debt (less current portion)	—	942
Retirement plans	23,791	21,483
Insurance claims	67,388	63,499
Total liabilities	318,269	321,923
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; 50,397,000 and 48,778,000 shares issued at October 31, 2002 and 2001, respectively	504	488
Additional paid-in capital	151,135	130,998
Accumulated other comprehensive loss	(789)	(763)
Retained earnings	259,452	230,454
Cost of treasury stock (1,400,000 shares at October 31, 2002)	(23,632)	—
Total stockholders' equity	386,670	361,177
Total liabilities and stockholders' equity	\$704,939	\$683,100

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)	2002	2001	2000
Revenues				
Sales and other income		\$2,181,932	\$2,149,171	\$1,993,859
Gain on insurance claim		10,025	—	—
		2,191,957	2,149,171	1,993,859
Expenses				
Operating expenses and cost of goods sold		1,946,750	1,919,054	1,757,619
Selling, general and administrative		174,827	162,313	149,029
Interest		1,052	2,602	3,320
Goodwill amortization		—	12,257	11,198
		2,122,629	2,096,226	1,921,166
Income before income taxes		69,328	52,945	72,693
Income taxes		22,600	20,119	28,350
Net income		\$ 46,728	\$ 32,826	\$ 44,343
Net income per common share				
Basic		\$ 0.95	\$ 0.68	\$ 0.97
Diluted		\$ 0.92	\$ 0.65	\$ 0.92
Average common and common equivalent shares				
Basic		49,116	47,598	45,102
Diluted		51,015	50,020	47,418

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Years ended October 31, 2002, 2001 and 2000 (in thousands)	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance October 31, 1999	44,814	448	—	—	93,112	(635)	184,026	276,951
Comprehensive income:								
Net income							44,343	44,343
Foreign currency translation						(18)		(18)
Comprehensive income								44,325
Dividends:								
Common stock							(14,027)	(14,027)
Preferred stock							(512)	(512)
Tax benefit from exercise of stock options					480			480
Stock purchases	(766)	(8)			(8,382)			(8,390)
Stock issued under employees' stock purchase and option plans and for acquisition	1,950	20			17,462			17,482
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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended October 31 (in thousands)	2002	2001	2000
Cash flows from operating activities:			
Cash received from customers	\$ 2,212,269	\$ 2,117,691	\$ 1,925,599
Other operating cash receipts	16,149	5,523	2,347
Interest received	1,602	859	580
Cash paid to suppliers and employees	(2,094,597)	(2,021,762)	(1,873,290)
Interest paid	(1,156)	(2,991)	(3,209)
Income taxes paid	(23,348)	(33,524)	(33,102)
Net cash provided by operating activities	110,919	65,796	18,925
Cash flows from investing activities:			
Additions to property, plant and equipment	(7,491)	(16,922)	(18,717)
Proceeds from sale of assets	1,702	1,253	1,164
(Increase) decrease in investments and long-term receivables	(1,081)	49	370
Purchase of businesses	(52,448)	(23,401)	(14,191)
Proceeds from sale of business	—	12,000	—
Net cash used in investing activities	(59,318)	(27,021)	(31,374)
Cash flows from financing activities:			
Common stock issued	17,955	26,688	16,381
Common stock purchases	(23,632)	—	(8,390)
Preferred stock redemption	—	(6,400)	—
Dividends paid	(17,730)	(16,202)	(14,539)
(Decrease) increase in bank overdraft	—	(15,952)	10,985
Long-term borrowings	—	108,000	126,000
Repayments of long-term borrowings	(11,819)	(133,857)	(118,127)
Net cash (used in) provided by financing activities	(35,226)	(37,723)	12,310
Net increase (decrease) in cash and cash equivalents	16,375	1,052	(139)
Cash and cash equivalents beginning of year	3,052	2,000	2,139
Cash and cash equivalents end of year	\$ 19,427	\$ 3,052	\$ 2,000
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 46,728	\$ 32,826	\$ 44,343
Adjustments:			
Depreciation and intangible amortization	15,182	14,071	12,326
Goodwill amortization	—	12,257	11,198
Provision for bad debts	11,910	6,134	2,971
Gain on sale of assets	(236)	(41)	(265)
Gain on sale of business	—	(718)	—
Increase in deferred income taxes	(1,338)	(12,138)	(5,517)
Decrease (increase) in trade accounts receivable	38,299	(24,340)	(65,555)
Increase in inventories	(4,081)	(3,223)	(2,217)
Decrease (increase) in prepaid expenses and other current assets	3,093	(3,045)	(1,200)
(Increase) decrease in other assets	(3,410)	40	2,475
Increase (decrease) in income taxes payable	590	(1,267)	765
Increase (decrease) in retirement plans accrual	2,308	(903)	3,092
Increase in insurance claims liability	6,665	18,872	7,155
(Decrease) increase in trade accounts payable and other accrued liabilities	(4,791)	27,271	9,354
Total adjustments to net income	64,191	32,970	(25,418)
Net cash provided by operating activities	\$ 110,919	\$ 65,796	\$ 18,925
Supplemental data:			
Non-cash investing activities:			
Common stock issued for net assets of business acquired	\$ 1,371	\$ 1,666	\$ 1,581

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. Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

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.

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 valued at amounts approximating the lower of cost (first-in, first-out basis) or market.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation and amortization. At the time property, plant and equipment is 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.

Depreciation and amortization are calculated principally on the straight-line method. Useful lives used in computing depreciation for transportation equipment average 3 to 5 years and 2 to 20 years for machinery and other equipment. 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.

The Company is implementing an enterprise-wide accounting and management information system (also known as “Enterprise Resources Planning” (ERP) software). External direct costs of materials and services and payroll-related costs of employees working solely on the development of the system are capitalized. Capitalized costs of the project are being amortized over a period of seven years beginning on May 1, 2000. Training costs are expensed as incurred.

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 elected to early adopt 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 will be subject to 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 Statement 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, 2002 and 2001, all other intangible assets, consisting principally of contract rights with a net book value of \$4,059,000 and \$4,544,000 respectively, are included in other assets and will continue to be amortized over the contract periods. Amortization expense for other intangible assets was \$1,085,000, \$355,000 and \$95,000 for the years ended October 31, 2002, 2001 and 2000,

respectively. The remaining amortization period for other intangible assets ranges from 2 months to 14 years.

The changes in the carrying amount of goodwill (in thousands) for the year ended October 31, 2002 are as follows (acquisitions are discussed in Note 10):

Segment	Balance as of October 31, 2001	2002 Acquisitions	Earnout Payments	Balance as of October 31, 2002
Janitorial	\$ 62,906	\$41,267	\$4,525	\$108,698
Parking	27,113	—	158	27,271
Engineering	2,166	—	8	2,174
Security	1,656	5,368	189	7,213
Lighting	13,854	—	2,847	16,701
Elevator	3,907	—	—	3,907
Other	1,597	—	355	1,952
	\$113,199	\$46,635	\$8,082	\$167,916

Transitional disclosure of earnings excluding goodwill amortization is as follows:

per share amounts)	(in thousands, except		
	2002	2001	2000
Net income	\$46,728	\$32,826	\$44,343
Goodwill amortization (after tax)	—	7,599	6,831
Adjusted net income	46,728	40,425	51,174
Preferred stock dividends	—	(432)	(512)
Adjusted net income available to common stockholders	\$46,728	\$39,993	\$50,662
Net income per common share — basic:			
Net income	\$ 0.95	\$ 0.68	\$ 0.97
Goodwill amortization	—	0.16	0.15
Adjusted net income	\$ 0.95	\$ 0.84	\$ 1.12
Net income per common share — diluted:			
Net income	\$ 0.92	\$ 0.65	\$ 0.92
Goodwill amortization	—	0.15	0.14
Adjusted net income	\$ 0.92	\$ 0.80	\$ 1.07
Average common shares outstanding — basic	49,116	47,598	45,102
Average common shares outstanding — diluted	51,015	50,020	47,418

Income Taxes: Income tax expense is based on reported results of operations before income taxes. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for 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, there are no up-front fee arrangements or acceptance requirements that would require deferral of revenue recognition under Staff Accounting Bulletin No. 101.

In January 2002, the Emerging Issues Task Force (EITF) released Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred", which the Company adopted in the third quarter of fiscal 2002. For the Company's Parking Division 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 other ABM Divisions. Amounts have been reclassified to conform to the presentation of these reimbursed expenses in all prior periods presented. Adoption of the pronouncement resulted in an increase in total revenues and total costs and expenses in equal amounts of \$203,841,000, \$199,133,000 and \$186,302,000 for fiscal years ended October 31, 2002, 2001 and 2000, respectively. This presentation change has no impact on operating profits or net income.

Net Income per Common Share: The Company has reported its earnings in accordance with Statement of Financial Accounting Standards 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 these amounts is as follows:

per share amounts)	(in thousands, except	2002	2001	2000
Net income		\$46,728	\$32,826	\$44,343
Preferred stock dividends		—	(432)	(512)
Net income available to common stockholders		\$46,728	\$32,394	\$43,831
Average common shares outstanding — basic		49,116	47,598	45,102
Effect of dilutive securities:				
Stock options		1,899	2,300	2,070
Other		—	122	246
Average common shares outstanding — diluted		51,015	50,020	47,418
Net income per common share — basic		\$ 0.95	\$ 0.68	\$ 0.97
Net income per common share — diluted		\$ 0.92	\$ 0.65	\$ 0.92

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, 2002, 2001 and 2000, options to purchase common shares of 3,075,000, 1,748,000 and 2,156,000 at a weighted average exercise price of \$16.29, \$16.31 and \$15.86, 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: The Company accounts for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", which generally 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 recipients.

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

2. INSURANCE

The Company's insurance program includes the use of large self-insured retentions (i.e. deductibles) with regard to certain insurable risks such as general liability, automobile liability, and workers' compensation. The Company has purchased excess insurance protecting against losses in excess of these deductible and/or self-insured retentions. Accruals for claims within the deductible and/or self-insured retentions are recorded on a claim-incurred basis. The claim-incurred method includes cost factors for inflation and the cost of litigation and administration. 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, 2002 and 2001 was \$118,357,000 and \$111,692,000, respectively. In the fourth quarter of fiscal year 2001, the Company recorded a \$20,000,000 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 \$8,500,000 for fiscal 2001 claims while approximately \$10,500,000 reflected 2001's unfavorable trend on pre-2001 claims. Additionally, 2001 required a provision of \$1,000,000 for claims related to the September 11, 2001 World Trade Center attack. Based on the annual actuarial review completed in November of 2002, the self-insurance reserves as of the end of fiscal year 2002 were deemed adequate.

In connection with certain self-insurance agreements, the Company has standby letters of credit at October 31, 2002 supporting the estimated unpaid liability in the amount of \$100,299,000.

3. PROPERTY, PLANT AND EQUIPMENT

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

(in thousands)	2002	2001
Land	\$ 876	\$ 876
Buildings	4,238	4,120
Transportation equipment	14,245	15,546
Machinery and other equipment	73,001	73,543
Leasehold improvements	14,428	14,802
	106,788	108,887
Less accumulated depreciation and amortization	70,522	65,951
	\$ 36,266	\$ 42,936

4. LONG-TERM DEBT AND CREDIT AGREEMENT

The Company has a \$150 million syndicated line of credit which will expire July 1, 2005. The unsecured revolving credit facility currently provides, at the Company's option, interest at the prime rate or LIBOR+.875%. The facility, at present, calls for a commitment fee payable quarterly, in arrears, of .175% based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued in conjunction with the Company's self-insurance program and parking business plus cash borrowings are considered to be outstanding amounts. As of October 31, 2002, the total outstanding amount under this facility was \$101,828,000 in the form of standby letters of credit. The Company is required under this agreement to maintain certain financial ratios and has limitations on outside borrowings. The Company was in compliance with all covenants as of October 31, 2002.

Long-term debt at October 31 is summarized as follows:

(in thousands)	2002	2001
Revolving credit facility with interest at 2.93%	\$ —	\$10,000
Note payable to bank with interest at 6.78%		1,808
Other		11
	—	11,819
Less current portion		10,877
	\$ —	\$ 942

5. EMPLOYEE BENEFIT PLANS

All of the Company's defined benefit plans are unfunded. There is no additional pension liability and hence no other comprehensive income to disclose.

(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 is 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 2002, 2001 and 2000 were approximately \$4,159,000, \$1,534,000 and \$1,191,000, respectively.

(b) Retirement Agreements

The Company has unfunded retirement agreements for approximately 54 current and former directors and senior executives, many of which are fully vested. The agreements provide for annual 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 2002, 2001 and 2000, amounts accrued under these agreements were \$490,000, \$506,000 and \$684,000, respectively. Payments were made in 2002, 2001 and 2000 in the amounts of \$377,000, \$242,000 and \$171,000, respectively. As of October 31, 2002 the present value of estimated future payments under these agreements was \$4,793,000.

(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)	2002	2001	2000
Service cost	\$ 184	\$ 427	\$ 380
Interest	350	358	318
Net cost	\$ 534	\$ 785	\$ 698
Actuarial present value of:			
Vested benefit obligation	\$4,571	\$4,479	\$3,895
Accumulated benefit obligation	\$4,664	\$4,662	\$4,067
Projected benefit obligation	\$5,153	\$5,342	\$4,746

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

	2002	2001	2000
Weighted average discount rate	6.75%	7.5%	7.5%
Rate of increase in compensation level	3.0%	5.0%	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 death benefit plan with a vesting period of ten years. This plan covers certain qualified employees and, upon retirement on or after their 62nd birthday, provides fifty percent of the accidental death and dismemberment benefit that the employees were entitled to on their retirement date subject to a maximum of \$150,000. Coverage during retirement continues until death for retired employees hired before September 1, 1980 and until their 70th birthday for retirees hired after that date.

At October 31, 2002, the actuarial present value of the accumulated post-retirement benefit obligation was \$5,115,000. The accumulated post-retirement benefit obligation was calculated using the assumed rates of 6.75% weighted average discount rate and 3.0% increase in compensation level. The Company recorded a liability of \$3,849,000 at October 31, 2002 for its obligations under the plan and will amortize the actuarial loss in excess of 10% of the accumulated benefit obligation over the average remaining life of the participants.

(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 \$29,278,000, \$30,259,000 and \$26,913,000 in 2002, 2001 and 2000, 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 obligated under noncancelable operating leases for various facilities and equipment.

As of October 31, 2002, future minimum lease commitments under noncancelable operating leases are as follows:

Fiscal years ending (in thousands)	
2003	\$ 50,660
2004	34,669
2005	25,040
2006	17,904
2007	12,879
Thereafter	45,623
Total minimum lease commitments	\$186,775

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

(in thousands)	2002	2001	2000
Minimum rentals under noncancelable leases	\$ 60,830	\$ 55,780	\$ 53,387
Contingent rentals	35,093	43,645	42,641
Short-term rental agreements	4,248	3,911	4,682

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

7. REDEEMABLE CUMULATIVE PREFERRED STOCK

On June 23, 1993, the Company authorized and on September 1, 1993, issued 6,400 shares of preferred stock having a par value of \$0.01 per share in conjunction with the acquisition of System Parking. These shares designated as Series B 8% Senior Redeemable Cumulative Preferred Stock (Series B

Preferred Stock) were entitled to one vote per share on all matters upon which common stockholders were entitled to vote and had a redemption price of \$1,000 per share, together with accrued and unpaid dividends thereon. Redemption of the Series B Preferred Stock was at the option of the holders for any or all of the outstanding shares after September 1, 1998, or at the option of the Company after September 1, 2001. On September 4, 2001, the Company redeemed all 6,400 shares of Series B 8% Senior Redeemable Cumulative Preferred Stock.

8. 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 24,914,000 shares of common stock were issued in connection with the stock split. The par value of the shares was not changed from \$0.01. The Company's common stock and additional paid-in capital accounts as well as all shares and per share amounts have been restated to retroactively reflect the stock split.

On September 16, 2001, the Company's Board of Directors authorized the purchase of up to two million shares (post-split) of its outstanding stock at any time through December 31, 2001. On December 17, 2001, the Board of Directors extended this authorization to purchase until December 31, 2002. On December 10, 2002, the Board of Directors extended this authorization through January 31, 2003. As of October 31, 2002, the Company had purchased 1,400,000 shares at a cost of \$23,632,000 under this authorization.

PREFERRED STOCK

The Company is authorized to issue 500,000 shares of preferred stock, of which 50,000 shares have been designated as Series A Junior Participating Preferred Stock of \$0.01 par value. None of these preferred shares have been issued.

COMMON STOCK RIGHTS PLAN

In March 1998, the Company's Board of Directors adopted a stockholder rights plan to replace an existing rights plan that expired on April 22, 1998. The new plan provides for a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of common stock to stockholders of record on April 22, 1998, and attachment of a Right 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 three types of stock option plans which are described below.

"Time-Vested" Incentive Stock Option Plan, as Amended

In 1987, the Company adopted a stock option plan under which 2,400,000 shares were reserved for grant. In March 1994, this plan was amended to reserve an additional 2,000,000 shares. In March 1996, the plan was amended again to reserve another 4,000,000 shares. The options become exer-

cisable 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, 2002, 1,308,000 shares remained available for grant.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 1999	3,614,000	\$ 9.19
Granted (Weighted average fair value of \$3.09)	450,000	\$10.61
Exercised	(310,000)	\$ 5.65
Forfeitures	(50,000)	\$12.27
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

Range of Prices	Outstanding at October 31, 2002			Exercisable at October 31, 2002	
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$ 4.24 – 6.66	358,000	1.7	\$ 4.85	358,000	\$ 4.85
\$ 8.72 – 14.11	1,249,000	5.3	\$10.64	885,000	\$10.07
\$14.71 – 18.30	1,021,000	7.2	\$15.80	372,000	\$16.27
Total	2,628,000	5.5	\$11.86	1,615,000	\$10.34

“Price-Vested” Performance Stock Option Plans

In December 1996, the Company adopted a stock option plan (the 1996 Plan) under which 3,000,000 shares have been reserved. In December 2001, the Company adopted an additional but substantially similar plan (the 2002 Plan) under which 4,000,000 shares were reserved for grant under the plan. The options expire 10 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 (as adjusted for the March 2002 two-for-one stock split) 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 its grant. At October 31, 2002, 140,000 shares and 2,930,000 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, 1999	2,270,000	\$11.19
Granted (Weighted average fair value of \$3.51)	320,000	\$10.38
Exercised	(150,000)	\$10.00
Forfeitures	(150,000)	\$11.98
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

Outstanding at October 31, 2002				Exercisable at October 31, 2002	
Range of Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$10.00 – 12.8	0 1,370,000	4.6	\$10.21	990,000	\$10.21
\$15.38 – 18.3	0 1,690,000	9.1	\$16.52	380,000	\$16.22
Total	3,060,000	7.0	\$13.70	1,370,000	\$11.88

“Age-Vested” Career Stock Option Plan, as Amended

In 1984, the Company adopted a stock option plan whereby 1,360,000 shares were reserved for grant. In March 1996, another 2,000,000 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 birthday and the remaining 50% will vest on their 64th birthday. To the extent vested, the options may be exercised at any time prior to one year after termination of employment. Options which terminate without being exercised may be reissued. At October 31, 2002, 819,000 shares remained available for grant.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 1999	2,374,000	\$ 9.93
Granted (Weighted average fair value of \$3.77)	150,000	\$10.38
Exercised	(112,000)	\$ 2.96
Forfeitures	(210,000)	\$ 9.90
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

Outstanding at October 31, 2002				Exercisable at October 31, 2002	
Range of Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$2.86	308,000	3.5	\$ 2.86	104,000	\$ 2.86
\$5.63 – 9.72	211,000	6.7	\$ 5.92	32,000	\$ 5.63
\$10.38	107,000	16.4	\$10.38	—	—
\$14.70 – 18.30	1,145,000	11.8	\$15.29	202,000	\$15.32
Total	1,771,000	10.1	\$11.72	338,000	\$10.58

EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED

In 1985, the Company adopted an employee stock purchase plan under which sale of 10,000,000 shares of its common stock has been authorized. In March 1996 and 1999, sales of an additional 2,400,000 shares each were authorized, and again in March 2001, 2,400,000 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 2002, 2001, and 2000, 868,000, 1,054,000 and 1,270,000 shares of stock were issued under the plan for an aggregate purchase price of \$11,603,000, \$12,142,000 and \$12,588,000, respectively. The weighted average fair value of those purchase rights granted in 2002, 2001, and 2000 was \$3.85, \$3.50 and \$3.64, respectively, and were issued at a weighted average price of \$13.36, \$11.52 and \$9.92, respectively. At October 31, 2002, 1,114,000 shares remained unissued under the plan.

9. INCOME TAXES

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

(in thousands)	2002	2001	2000
Current			
Federal	\$20,789	\$ 28,046	\$29,793
State	3,086	4,170	4,051
Foreign	63	41	23
Deferred			
Federal	(2,472)	(11,002)	(5,071)
State	1,134	(1,136)	(446)
	\$22,600	\$ 20,119	\$28,350

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

	2002	2001	2000
Statutory rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal tax benefit	3.1	3.6	3.1
Tax credits	(5.7)	(5.1)	(3.6)
Tax liability no longer required	(2.1)	—	—
Nondeductible expenses and other — net	2.3	4.5	4.5
	32.6%	38.0%	39.0%

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)	2002	2001
Deferred tax assets:		
Self-insurance claims	\$45,202	\$43,183
Bad debt allowance	2,524	3,652
Deferred and other compensation	14,375	13,579
Goodwill	1,143	5,026
Other	3,782	1,952
Total gross deferred tax assets	67,026	67,392
Deferred tax liabilities:		
Deferred software development cost	(3,482)	(3,817)
Union pension contributions	—	(1,369)
Total gross deferred tax liabilities	(3,482)	(5,186)
Net deferred tax assets	\$63,544	\$62,206

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

10. 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 over fair value of the net assets acquired is generally included in goodwill. Most purchase agreements provide for contingent payments based on the annual pretax income for subsequent periods ranging generally from two to five years. Any such future payments are generally capitalized as goodwill when paid. Cash paid for acquisitions, including down payments and contingent amounts based on subsequent earnings, was \$52,448,000 in 2002. In addition, common shares, with a fair market value of \$1,371,000 at the date of issuance, were issued in 2002 under the contingent payment provisions of a 1997 acquisition.

Acquisitions made during 2002 are discussed below:

The Company acquired the service contracts and selected assets of Triumph Security Corporation and Triumph Cleaning Corporation with customers located in New York City effective January 26 and 28, 2002, respectively. This acquisition contributed \$6,369,000 in sales in 2002.

On February 28, 2002, the Company acquired the security contracts, accounts receivable and selected assets of Foulke Associates, Inc. with customers located throughout Georgia, Florida, Maryland, Pennsylvania and Virginia. This acquisition contributed \$11,791,000 in sales in 2002.

The total cost of the Triumph and Foulke acquisitions was \$8,800,000, of which \$7,118,000 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 \$41,131,000, which included the assumption of liabilities totaling \$4,194,000. Of the down payment, \$39,517,000 was allocated to goodwill. Contingent payments 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 \$5,304,000 provided that the gross sales of Lakeside during the third year following the acquisition are equal to or greater than \$131,200,000. This acquisition contributed \$51,601,000 in revenues in 2002.

The following pro forma information for the Lakeside acquisition assumes that the acquisition occurred on November 1, 2000. Included in the ABM results of operations for the year ended October 31, 2002, was \$3,500,000 of Lakeside pretax operating profit for the period July 13, 2002, through October 31, 2002.

(in thousands, except per share amounts)	2002			2001		
	ABM	Lakeside*	Pro Forma	ABM	Lakeside	Pro Forma
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
Revenues	\$2,191,957	\$ 113,460	\$2,305,417	\$2,149,171	\$149,434	\$2,298,605
Operating and SG&A expense	2,121,577	106,413	2,227,990	2,081,367	139,883	2,221,250
Interest expense	1,052	1,365	2,417	2,602	2,663	5,265
Goodwill amortization	—	—	—	12,257	2,625	14,882
Total expenses	2,122,629	107,778	2,230,407	2,096,226	145,171	2,241,397
Income before income taxes	69,328	5,682	75,010	52,945	4,263	57,208
Income taxes	22,600	2,063	24,663	20,119	1,620	21,739
Net income	\$ 46,728	\$ 3,619	\$ 50,347	\$ 32,826	\$ 2,643	\$ 35,469

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

Net income per common share:						
Basic	\$ 0.95	—	\$ 1.03	\$ 0.68	—	\$ 0.74
Diluted	\$ 0.92	—	\$ 0.99	\$ 0.65	—	\$ 0.70
Average number of common shares outstanding:						
Basic	49,116	—	49,116	47,598	—	47,598
Diluted	51,015	—	51,015	50,020	—	50,020

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.

The fair value of the Company's long-term debt approximates carrying value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

12. CONTINGENCIES

The Company and some of its subsidiaries have been named defendants in certain 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 Statements of Financial Accounting Standards (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 eight separate operating divisions. Under SFAS No. 131 criteria, only ABM Janitorial Services, Ampco System Parking, ABM Engineering Services, American Commercial Security Services, Amtech Lighting Services, and Amtech Elevator Services qualify as reportable segments. Results of ABM Service Network, CommAir Mechanical Services and Easterday Janitorial Supply, prior to its sale on April 29, 2001, are included in the Other segment. In addition, the corporate expenses are not allocated. The significant increase in unallocated corporate expenses for 2001 includes the \$20,000,000 insurance adjustment (see Footnote 2 INSURANCE) and centralization of marketing and sales expenses compared to 2000. While virtually all insurance claims

arise from the operating divisions, this adjustment was recorded as unallocated corporate expense. Had the Company allocated the insurance adjustment among the divisions, the reported pre-tax operating profits of the divisions, as a whole, would have been reduced by \$20,000,000 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 divisions for the years ended October 31, 2001 and 2000 and reported separately.

SEGMENT INFORMATION

October 31, 2002	(in thousands)							
	For the year ended							
	Janitorial	Parking	Engineering	Security	Lighting	Elevator	Other	Corporate
Sales and other income	\$1,197,035	\$363,511	\$173,561	\$140,569	\$130,858	\$113,874	\$61,963	\$ 561
Gain on insurance claim	-	-	-	-	-	-	-	10,025
Total revenues	\$1,197,035	\$363,511	\$173,561	\$140,569	\$130,858	\$113,874	\$61,963	\$ 10,586
Operating profit	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ 4,319	\$(1,190)	\$(27,992)
Gain on insurance claim	-	-	-	-	-	-	-	10,025
Interest expense	-	-	-	-	-	-	-	(1,052)
Income before income taxes	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ 4,319	\$(1,190)	\$(19,019)
Identifiable assets	\$ 336,414	\$ 80,889	\$ 32,435	\$ 31,295	\$ 82,197	\$ 32,195	\$15,080	\$ 94,434
Depreciation expense	\$ 5,091	\$ 1,764	\$ 85	\$ 304	\$ 1,725	\$ 227	\$ 240	\$ 4,661
Intangible amortization expense	\$ 700	\$ 244	\$ -	\$ -	\$ -	\$ -	\$ 141	\$ -
Capital expenditures	\$ 3,643	\$ 1,119	\$ 39	\$ 289	\$ 722	\$ 146	\$ 141	\$ 1,392
For the year ended October 31, 2001								
Sales and other income	\$1,159,914	\$365,073	\$171,008	\$103,980	\$144,319	\$121,371	\$82,188	\$ 1,318
Operating profit	\$ 67,590	\$ 6,619	\$ 9,404	\$ 3,174	\$ 11,983	\$ 5,012	\$ 5,280	\$(41,258)
Interest expense	(917)	-	(7)	(10)	-	(2)	1	(1,667)
Income before income taxes	\$ 66,673	\$ 6,619	\$ 9,397	\$ 3,164	\$ 11,983	\$ 5,010	\$ 5,281	\$(42,925)
Identifiable assets	\$ 285,979	\$ 86,837	\$ 47,948	\$ 23,835	\$ 82,528	\$ 42,127	\$14,536	\$ 99,310
Depreciation expense	\$ 4,980	\$ 1,980	\$ 79	\$ 221	\$ 1,542	\$ 248	\$ 505	\$ 4,155
Goodwill amortization expense	\$ 7,728	\$ 2,569	\$ 369	\$ 171	\$ 945	\$ 192	\$ 283	\$ -
Intangible amortization expense	\$ 181	\$ 180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expenditures	\$ 3,659	\$ 1,612	\$ 79	\$ 311	\$ 2,572	\$ 255	\$ 1,295	\$ 7,139
For the year ended October 31, 2000								
Sales and other income	\$1,052,865	\$358,729	\$156,314	\$101,948	\$118,054	\$114,409	\$91,125	\$ 415
Operating profit	\$ 59,867	\$ 11,407	\$ 8,531	\$ 1,969	\$ 10,823	\$ 7,024	\$ 4,799	\$(17,209)
Interest expense	(9)	-	-	(10)	-	(1)	-	(3,300)
Income before income taxes	\$ 59,858	\$ 11,407	\$ 8,531	\$ 1,959	\$ 10,823	\$ 7,023	\$ 4,799	\$(20,509)
Identifiable assets	\$ 274,704	\$ 92,401	\$ 45,459	\$ 20,131	\$ 65,160	\$ 37,356	\$35,989	\$ 70,785
Depreciation expense	\$ 4,962	\$ 1,834	\$ 80	\$ 256	\$ 1,260	\$ 316	\$ 703	\$ 2,854
Goodwill amortization expense	\$ 6,817	\$ 2,681	\$ 367	\$ 124	\$ 735	\$ 192	\$ 282	\$ -
Intangible amortization expense	\$ -	\$ 61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expenditures	\$ 4,568	\$ 1,521	\$ 524	\$ 66	\$ 1,469	\$ 390	\$ 626	\$ 9,553

[Additional columns below]

[Continued from above table, first column(s) repeated]

(in thousands)		
For the year ended	Goodwill	Consolidated
October 31, 2002	Amortization	Totals
Sales and other income	\$ -	\$2,181,932
Gain on insurance claim	-	10,025
Total revenues	\$ -	\$2,191,957

Operating profit	\$ -	\$ 60,355
Gain on insurance claim	-	10,025
Interest expense	-	(1,052)
Income before income taxes	\$ -	\$ 69,328
Identifiable assets	\$ -	\$ 704,939
Depreciation expense	\$ -	\$ 14,097
Intangible amortization expense	\$ -	\$ 1,085
Capital expenditures	\$ -	\$ 7,491
For the year ended October 31, 2001		
Sales and other income	\$ -	\$2,149,171
Operating profit	\$(12,257)	\$ 55,547
Interest expense	-	(2,602)
Income before income taxes	\$(12,257)	\$ 52,945
Identifiable assets	\$ -	\$ 683,100
Depreciation expense	\$ -	\$ 13,710
Goodwill amortization expense	\$ -	\$ 12,257
Intangible amortization expense	\$ -	\$ 361
Capital expenditures	\$ -	\$ 16,922
For the year ended October 31, 2000		
Sales and other income	\$ -	\$1,993,859
Operating profit	\$(11,198)	\$ 76,013
Interest expense	-	(3,320)
Income before income taxes	\$(11,198)	\$ 72,693
Identifiable assets	\$ -	\$ 641,985
Depreciation expense	\$ -	\$ 12,265
Goodwill amortization expense	\$ -	\$ 11,198
Intangible amortization expense	\$ -	\$ 61
Capital expenditures	\$ -	\$ 18,717

14. STOCK-BASED COMPENSATION

The Company continues to account for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations. In the three-year period ended October 31, 2002, the exercise price of all options granted to employees had equivalent fair market values. Therefore, no compensation expense has been recognized in the financial statements for employee stock awards.

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", requires the disclosure of pro forma net earnings and earnings per share had the Company adopted the fair value method as of the beginning of fiscal 1996. Under SFAS 123, 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 were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life 9.7 years, 9.2 years and 9.1 years from the date of grant in fiscal 2002, 2001, and 2000, respectively; expected stock price volatility of 32.5%, 28.1% and 27.7%, respectively; expected dividend yields of 2.2%, 2.2% and 3.1%, and risk free interest rates of 4.4%, 5.3% and 6.7% in fiscal 2002, 2001, and 2000, 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. Had the Company adopted the fair value method as of the beginning of fiscal 1996, the pro forma net earnings would have been \$42,787,000 (\$0.84 per diluted share) for fiscal 2002, \$29,102,000 (\$0.57 per diluted share) for fiscal 2001 and \$39,477,000 (\$0.82 per diluted share) for fiscal 2000. The impact of outstanding stock options granted prior to fiscal 1996 has been excluded from the pro forma calculation; accordingly, the fiscal 2002, 2001, and 2000 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all future applicable stock grants.

15. QUARTERLY INFORMATION (UNAUDITED)

(in thousands, except per share amounts)

	Fiscal Quarter				Year
	First	Second	Third	Fourth	
2002					
Sales and other income	\$527,552	\$525,850	\$543,752	\$584,778	\$2,181,932
Gain on insurance claim	—	4,300	5,725	—	10,025
Total revenues	\$527,552	\$530,150	\$549,477	\$584,778	\$2,191,957
Gross profit	52,769	57,287	59,457	65,669	235,182
Net income	7,991	13,989	12,634	12,114	46,728
Net income per common share:					
Basic	0.16	0.28	0.26	0.25	0.95
Diluted	0.16	0.27	0.25	0.24	0.92
2001					
Sales and other income	\$520,815	\$538,637	\$542,918	\$546,801	\$2,149,171
Gross profit	58,020	65,091	63,303	43,703	230,117
Net income (loss)	8,404	12,054	13,233	(865)	32,826
Net income (loss) per common share:					
Basic	0.18	0.25	0.27	(0.02)	0.68
Diluted	0.17	0.24	0.26	(0.02)	0.65

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

Not applicable.

PART III**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required by this item regarding ABM's directors and executive officers not included in Part I under "Executive Officers" is incorporated by reference to the information set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Compliance Reporting" contained in the Proxy Statement to be used by ABM in connection with its 2003 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the information set forth under the caption "Executive Compensation" contained in the Proxy Statement to be used by ABM in connection with its 2003 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item 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 2003 Annual Meeting of Stockholders, and in the table below.

Equity Compensation Plan Information as of October 31, 2002:

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:			
Time-Vested Incentive Stock Option Plan	2,628,000	\$11.86	1,308,000
Price-Vested Performance Stock Option Plans	3,060,000	\$13.70	3,070,000
Age-Vested Career Stock Option Plan	1,771,000	\$11.72	819,000
Equity compensation plans not approved by security holders:			
None	—	—	—
Total	7,459,000	\$12.58	5,197,000

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 2003 Annual Meeting of Stockholders.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures.* ABM's chief executive officer and ABM's chief financial officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15-d-14(c) as of a date (the "Evaluation Date") within 90 days before the filing date of this Form 10-K, have concluded that as of the Evaluation Date the Company's disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company would be made known to them by others within those entities.

(b) *Changes in internal controls.* There were no significant changes in the Company's internal controls or, to the Company's knowledge, in other factors that could significantly affect these controls subsequent to their date of evaluation.

ITEM 15. EXHIBITS, CONSOLIDATED 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 (see Item 8):

Independent Auditors' Report

Consolidated Balance Sheets — October 31, 2002 and 2001

Consolidated Statements of Income — Years ended October 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders' Equity and Comprehensive Income — Years ended October 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows — Years ended October 31, 2002, 2001 and 2000

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, 2002, 2001 and 2000

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:

No reports on Form 8-K were filed during the fourth quarter of 2002.

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
December 16, 2002

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)
December 16, 2002

/s/ George B. Sundby

George B. Sundby
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
December 16, 2002

/s/ Linda Chavez

Linda Chavez, Director
December 16, 2002
/s/ Maryellen C. Herring

Maryellen C. Herring, Director
December 16, 2002
/s/ Henry L. Kotkins, Jr.

Henry L. Kotkins, Jr., Director
December 16, 2002

/s/ Theodore Rosenberg

Theodore Rosenberg, Director
December 16, 2002

/s/ Maria Placida Y. de la Pena

Maria Placida Y. de la Pena
Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer)
December 16, 2002

/s/ Luke S. Helms

Luke S. Helms, Director
December 16, 2002
/s/ Charles T. Horngren

Charles T. Horngren, Director
December 16, 2002
/s/ Martinn H. Mandles

Martinn H. Mandles
Chairman of the Board and Director
December 16, 2002
/s/ William W. Steele

William W. Steele, Director
December 16, 2002

Certifications

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Henrik C. Slipsager

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

Date: December 16, 2002

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 annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ George B. Sundby

George B. Sundby
Chief Financial Officer
(Principal Financial Officer)

Date: December 16, 2002

Schedule II**CONSOLIDATED VALUATION ACCOUNTS**

Years ended October 31, 2002, 2001 and 2000

(in thousands)

	Balance Beginning of Year	Charges to Costs and Expenses	Deductions Net of Recoveries	Other Additions (Reductions)	Balance End of Year
Allowance for Doubtful Accounts					
Years ended October 31,					
2002	\$9,420	\$11,910	\$(14,725)	—	\$6,605
2001	8,825	6,134	(5,539)	—	9,420
2000	7,490	2,971	(1,636)	—	8,825

Exhibit Index

Exhibit Number	Description
3.1[a]	Restated Certificate of Incorporation of ABM Industries Incorporated, dated March 22, 2000
3.2	Bylaws, as amended September 10, 2002
4.1[k]	Credit Agreement, dated June 25, 1997, between Bank of America National Trust and Savings Association and the Company
4.2[q]	First Amendment to Credit Agreement dated as of October 31, 1997
4.3[t]	Second Amendment to Credit Agreement dated as of September 22, 1999
4.5[c]	Business Loan Agreement dated February 13, 1996
4.6	Credit Agreement dated as of June 28, 2002, between ABM Industries Incorporated and bank syndicate
10.3[b]*	Supplemental Medical and Dental Plan
10.4[j]*	1984 Executive Stock Option Plan as amended effective December 19, 1995 (now known as "Age-Vested" Career Stock Option Plan)
10.13[j]*	1987 Stock Option Plan as amended effective December 19, 1995 (now known as "Time-Vested" Incentive Stock Option Plan)
10.16[d]	Rights Agreement, dated as of March 17, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent
10.19[e]*	Service Award Plan
10.21[f]*	Amended and Restated Retirement Plan for Outside Directors
10.22[f]*	Amendment No. 1 to Service Award Plan
10.23[g]*	Form of Outside Director Retirement Agreement (dated June 16, 1992)
10.27[h]	Guaranty of American Building Maintenance Industries, Inc.
10.28[i]*	Deferred Compensation Plan
10.29[i]*	Form of Existing Executive Employment Agreement Other Than Those Specifically Named
10.35[l]*	Form of Amendments of Corporate Executive Employment Agreements with Other Than Those Named
10.36[m]*	Form of Indemnification for Directors
10.40[p]*	1996 ABM Industries Incorporated Long-Term Senior Executive Stock Option Plan (now known as "Price-Vested" Performance Stock Option Plan)
10.47[t]*	Amendment No. 1 to the 1987 Incentive Stock Option Plan (now known as "Time-Vested" Incentive Stock Option Plan)
10.48[t]*	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)
10.49[t]*	Amendment No. 3 to the "Time-Vested" Incentive Stock Option Plan
10.50[t]*	Amendment No. 4 to the ABM Industries Incorporated "Time-Vested" Incentive Stock Option Plan (December 19, 1995 Restatement)
10.51[t]*	Amendment No. 1 to the 1984 Executive Stock Option Plan (now known as "Age-Vested" Career Stock Option Plan)
10.52[t]*	Amendment No. 2 to the 1984 Executive Stock Option Plan (December 1994 Restatement) (now known as "Age-Vested" Career Stock Option Plan)
10.53[t]*	Amendment No. 3 to the ABM Industries Incorporated "Age-Vested" Career Stock Option Plan (December 19, 1995 Restatement)
10.54[t]*	Amendment No. 1 to the Long-Term Senior Executive Incentive Stock Option Plan Adopted December 1996 (now known as "Price-Vested" Performance Stock Option Plan)
10.55[t]*	Amendment No. 2 to the "Price-Vested" Performance Stock Option Plan
10.56[t]*	Amendment No. 3 to the ABM Industries Incorporated "Price-Vested" Performance Stock Option Plan
10.59[r]*	Employee Stock Purchase Plan (as amended through May 1, 2000)
10.60[s]*	Amendment No. 1 to Employee Stock Purchase Plan (May 2000 Restatement)
10.67[u]*	Corporate Executive Employment Agreement with Donna M. Dell
10.68[u]*	First Amendment of Corporate Executive Employment Agreement dated November 1, 1999 with Donna M. Dell
10.69[v]*	2002 Price-Vested Performance Stock Option Plan
10.70[w]*	Agreement with Harry H. Kahn
10.71*	Agreement with Martinn H. Mandles
10.72*	Corporate Executive Employment Agreement with Jess E. Benton, III, as of November 1, 2001
10.73*	Corporate Executive Employment Agreement with Henrik C. Slipsager as of November 1, 2001
10.74*	Corporate Executive Employment Agreement with George B. Sundby as of November 1, 2001
10.75*	Division Executive Employment Agreement with James P. McClure as of November 1, 2001
10.76*	First Amendment of Division Executive Employment Agreement, amended as of September 10, 2002
10.77	First Amendment to Rights Agreement, dated as of May 6, 2002, between ABM Industries Incorporated and Mellon Investor Services LLC, as successor Rights Agent
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Auditors
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

[a] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 2000.

[b] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1984.

[c] Incorporated by reference to the exhibit bearing the same numeric description, which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended January 31, 1996.

[d] Incorporated by reference to exhibit 4.1 to the Company's report on Form 8-K dated March 17, 1998.

[e] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1990.

[f] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1991.

- [g] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1992.
- [h] Incorporated by reference to the exhibit bearing the same numeric reference which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1993.
- [i] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1993.
- [j] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1996.
- [k] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1997.
- [l] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1994.
- [m] Incorporated by reference to exhibit 10.20 which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1991.
- [p] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1997.
- [q] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1997.
- [r] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarter report on Form 10-Q for the fiscal quarter ended January 31, 2001.
- [s] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarter report on Form 10-Q for the fiscal quarter ended April 30, 2001.
- [t] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1999.
- [u] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 2001.
- [v] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarter report on Form 10-Q for the fiscal quarter ended April 30, 2002.
- [w] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarter report on Form 10-Q for the fiscal quarter ended July 31, 2002.

* Management contract, compensatory plan or arrangement.

ABM INDUSTRIES INCORPORATED

BYLAWS

As Amended September 10, 2002

ARTICLE I
OFFICES

Section 1.1. Registered Office. The registered office shall be located in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 2.1. Place of Meeting. All meetings of stockholders shall be held at the principal executive office of the Corporation or at any other place, either within or without the State of Delaware, as may be designated by the Board of Directors.

Section 2.2. Annual Meeting. The annual meeting of stockholders shall be held on such date and at such time as the Board of Directors may designate.

At each annual meeting the stockholders shall elect directors to succeed those whose terms expire in that year and to serve until their successors are elected, and shall transact such other business as may properly be brought before the meeting.

Section 2.3. Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Such notice shall be given either personally or by mail or other means of written communication, addressed or delivered to each stockholder entitled to vote at such meeting at the address of such stockholder appearing on the books of the Corporation or given by him to the Corporation for the purpose of such notice. If no such address appears or is given, notice shall be given either personally or by mail or other means of written communication addressed to the stockholder at the place where the principal executive office of the Corporation is located. The notice

shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

Section 2.4. Business at Annual Meetings. At an annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who shall have complied with the notice procedures set forth in this Bylaw.

For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.4(a) of this Bylaw, notice in writing must be delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such meeting's anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the annual meeting is first made. Such stockholder's notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business to be brought before the annual meeting and the reasons for conducting such business at such meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder, and by the beneficial owner, if any, on whose behalf the proposal is made; and (iv) any material interest of the stockholder, and of the beneficial owner, if any, on whose behalf the proposal is made, in such business. Business. For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Notwithstanding anything in these Bylaws to the contrary, no

business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Bylaw. The chairman of the meeting may, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with the provisions of this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.5. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of the stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.6. Special Meetings. Special meetings of the stockholders, 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 power and authority, as provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

Section 2.7. Notice of Special Meetings. Written notice of a special meeting of stockholders stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 2.8. Business at Special Meetings. The business transacted at any special meeting of stockholders

shall be limited to the purposes stated in the notice.

Section 2.9. Adjourned Meetings and Notice Thereof. Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 2.10 of these bylaws.

When a stockholders' meeting is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken; except that if the adjournment is for more than thirty days or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

Section 2.10. Quorum. The holders of a majority of the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation.

Section 2.11. Majority Vote. If a quorum is present at any meeting, the vote of the holders of a majority of the shares having voting power, present in person or represented by proxy, shall decide any question brought before such meeting, unless a different vote is required on that question by express provision of statute or of the certificate of incorporation, in which case such express provision shall govern and control.

The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, in any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum, unless a different vote is required as set forth above.

Section 2.12. Voting. Except as otherwise provided in the certificate of incorporation and subject to Section 8.4 of these bylaws, each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock having voting power held by such stockholder, but no proxy shall be voted or

acted upon after three years from its date, unless the proxy provides for a longer period. Vote may be viva voce or by ballot; provided, however, that elections for directors must be by ballot.

Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office but, if the stockholder fails to specify the number of shares such stockholder is voting affirmatively, it shall be conclusively presumed that the stockholder's approving vote is with respect to all shares said stockholder is entitled to vote.

Section 2.13. Stockholder Action. Any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when a person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened; provided, that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law or these bylaws to be included in the notice but not so included if such objection is expressly made at the meeting.

Section 2.14. Presiding Officer. The chairman of the Board of Directors, if there be such officer, shall, if present, call the meetings of the stockholders to order and shall act as the presiding officer thereof.

Section 2.15. Secretary. The secretary of the Corporation, if present, shall act as secretary of all meetings of the stockholders. In the absence of the secretary, an assistant secretary if present shall act as secretary of the meetings of the stockholders. In the absence of the secretary or any assistant secretary, the presiding officer may appoint a person to act as secretary of such meeting.

Section 2.16. Confidential Voting.

(a) Proxies and ballots that identify the votes of specific stockholders shall be kept in absolute confidence by the tabulators and the inspectors of election unless (i) there is an opposing solicitation with respect to the election or removal of Directors, (ii) disclosure is required by applicable law, (iii) a stockholder expressly requests or otherwise authorizes disclosure of the vote(s) cast by that stockholder, or (iv) the Corporation concludes in good

faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of any tabulation of such proxies, ballots or votes. Otherwise, no person, group or entity (including but not limited to any past, present or prospective director, officer, employee, agent or stockholder of the Corporation) shall be shown, told or given any information about the vote(s) cast by any specific stockholder.

(b) Comments written on proxies, consents or ballots shall be transcribed and provided to the secretary of the Corporation with the name and address of the stockholder. The vote of the stockholder shall not be disclosed at the time any such comment is provided to the secretary except where such vote is included in the comment or disclosure is necessary, in the opinion of the inspector, for an understanding of the comment.

(c) The tabulators and inspectors of election and any authorized agents or other persons engaged in the receipt, count and tabulation of proxies and ballots shall be advised of this Bylaw and instructed to comply herewith.

(d) The inspectors of election shall certify, to the best of their knowledge based on due inquiry, that proxies and ballots have been kept in confidence as required by this Section 2.16.

(e) Nothing in this Bylaw shall prohibit the inspector from making available to the Corporation, during the period prior to any annual or special meeting, information as to which stockholders have not voted and periodic status reports on the aggregate vote.

ARTICLE III
DIRECTORS

Section 3.1. Number of Directors, Election and Term of Office. The number of directors which shall constitute the whole board shall be nine. The Board of Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1986, another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1987, and another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified.

At each annual meeting of stockholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

The term "entire board" as used in these bylaws means the total number of directors which the Corporation would have if there were no vacancies.

Section 3.2. Vacancies. A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation, or removal of any director, or if the authorized number of directors be increased, or if the stockholders fail at any annual or special meeting of stockholders to elect the full authorized number of directors to be voted for at that meeting.

Unless otherwise provided in the certificate of incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and any director so chosen shall hold office until the next election of the class for which he was chosen and until his successor is fully elected and qualified, unless sooner displaced. If at any time the Corporation should have no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the entire board (as constituted immediately prior to any such increase), the Court of the Chancery may upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

Section 3.3. Powers. The business and affairs of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

Section 3.4. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any

director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.5. Resignation. Any director may resign effective upon giving written notice to the chief executive officer, the secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 3.6. Nominations of Directors. Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders (i) by the Board of Directors or a committee appointed by the Board of Directors authorized to make such nominations or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw. Nominations by stockholders shall be made pursuant to notice in writing, delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders, provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the meeting is first made; or (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made. Such stockholder's notice shall set forth (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to

vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated by the Board of Directors; and (v) the written consent of such nominee to serve as a director of the Corporation if elected. At the request of the Board of Directors, or any committee appointed by the Board of Directors authorized to make such nominations, any person nominated by the Board of Directors, or such committee, for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination that pertains to the nominee. Notwithstanding anything in this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public statement naming all the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these Bylaws. The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed in this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with

respect to the matters set forth in this Bylaw.

ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS

Section 4.1. Place of Meeting. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 4.2. Organization Meeting. Immediately after each annual meeting of stockholders, the Board of Directors shall hold a regular meeting for the purpose of organization, electing officers and transacting other business. No notice of such meeting need be given. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 4.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and at such place as shall from time to time be determined by the Board of Directors; provided, however, that if the date so designated falls upon a legal holiday, then the meeting shall be held at the same time and place on the next succeeding day which is not a legal holiday. Such regular meetings may be held without notice.

Section 4.4. Special Meetings. Special meetings of the Board of Directors may be called by the chairman of the board of directors, chairman of the executive committee of the Board of Directors, the chief executive officer or the president or on the written request of the directors constituting a majority of the entire board.

Section 4.5. Notice of Special Meetings. Notice of the time and place of special meetings of the Board of Director shall be delivered personally to each director, or sent to each director by mail, telephone, or telegraph. In case such notice is sent by mail or telegraphed it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located at least 48 hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone, it shall be so delivered at least 24 hours prior to the time of the holding of the meeting. Such notice shall not be necessary if appropriate waivers, consents and/or approvals

are filed in accordance with Section 4.6 of these bylaws.

Section 4.6. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 4.7. Quorum. At all meetings of the board, the presence of one-third of the entire board shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meetings at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 4.8. Adjournment. Any meeting of the Board of Directors, whether or not a quorum is present, may be adjourned to another time and place by the vote of a majority of the directors present. Notice of the time and place of the adjourned meeting need not be given to absent directors if said time and place are fixed at the meeting adjourned.

Section 4.9. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be,

consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 4.10. Conference Communication. Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors or any committee designated by the board may participate in a meeting of the Board of Directors or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting pursuant to this action shall constitute presence in person at such meeting.

ARTICLE V
COMMITTEES OF DIRECTORS

Section 5.1. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the entire board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolutions of the Board of Directors, shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the bylaws of the Corporation and, unless the resolution or the certificate

of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 5.2. Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section 5.3. Audit Committee. There shall be an Audit Committee comprised of at least three members of the Board. The members will be appointed by and serve at the pleasure of the board. Each member of the Audit committee will be "independent" as defined by and to the extent required by the rules of the New York Stock Exchange. Each member of the Audit Committee will be "financially literate" as interpreted by the board, in its business judgement, or must become "financially literate" within a reasonable period of time after his or her appointment to the Audit Committee. At least one member of the Audit Committee must have "accounting or related financial management expertise", as interpreted by the board in its business judgement.

The Audit Committee as a group will meet individually with the Company's outside auditors, Chief Executive Officer and Chief Financial Officer upon completion of the annual audit, and at such other times as it deems appropriate, to review the outside auditors' examination and management report.

The Audit Committee shall oversee the corporate financial reporting process and the internal and external audits of the Corporation. The Audit Committee will undertake those specific duties, responsibilities and processes listed below and such other duties as the Board of Directors from time to time prescribe. The Audit Committee will ensure that there is effective communication among the Board, management and outside auditors.

The responsibilities of the Audit Committee include:

1. Recommending outside auditors for approval by the Board and, if necessary, the termination of the outside auditors presently engaged;
2. Approving the fees for the audit and related services at least annually;
3. Reviewing the quarterly and annual financial statements, and discussing the audited annual

financial statements with both the Company's outside auditors and the Company's management, prior to any public filing of those reports;

4. Discussing with the Company's outside auditors the quality of accounting principles applied in the Company's financial statements and the other matters required by SAS 61 and amendments or supplements thereto, such as management judgments and accounting estimates that affect financial statements, significant new accounting policies and disagreements with management;
5. Ensuring the receipt of, and reviewing, a formal written statement from the Company's outside auditors delineating all relationships between the outside auditor and the Company, consistent with Independence Standards Board Standard 1;
6. Reviewing and actively discussing with the Company's outside auditors the auditor's independence, including any disclosed relationship or service that may impact the objectivity and independence of the outside auditor;
7. Recommending that the Board take appropriate action to ensure the independence of the outside auditor;
8. Overseeing the Company's compliance with SEC requirements for disclosure of auditor's services and Audit Committee members and activities;
9. Reviewing the Company's system of internal accounting controls;
10. Making inquiries into matters within the scope of its functions and retaining outside counsel if it deems appropriate in connection with such inquiries;
11. Ensuring that the Company provides annual written affirmation to the NYSE regarding: (i) any Board determination regarding the independence of the Audit Committee members, (ii) the financial literacy of the Audit Committee members, (iii) the determination that at least one member has the requisite accounting or financial expertise; and (iv) the annual review of this Charter;
12. Ensure that the outside auditors understand both: (i) their ultimate accountability to the Board and to the Audit Committee, as representatives of the Company's stockholders, and (ii) the Board's and the Audit Committee's ultimate authority and

responsibility to select, evaluate and, where appropriate in the exercise of their business judgment, replace the Company's outside auditors, or nominate the outside auditor to be proposed for stockholder approval in any proxy statement.

13. review and reassess the adequacy of its committee charter at least once a year.

Section 5.4 Executive Committee. There shall be an Executive Committee of the Board of Directors that shall include a minimum of any three directors appointed from time to time by the Board.

Any outside director or directors may attend any meeting of the Executive Committee as participants; however, a quorum shall be determined without regard to the attendance of such outside director or directors. If more than one outside director attends a meeting of the Executive Committee, only the director with the longest service on the Board of Directors shall have a vote on matters coming before the Executive Committee.

The functions of the Executive Committee shall be to exercise all power and authority of the Board in the management of the business and affairs of the Corporation, except for: (a) any functions delegated to other committees of the Board. (b) amending the Articles or Certificate of Incorporation, (c) adopting an agreement of merger or consolidation, (d) recommending to the stockholders the sale, lease or exchange of substantially all of the Corporation's property and assets, (e) recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, (f) amending the Bylaws of the Corporation, (g) declaring a dividend, or (h) authorizing the issuance of stock in the Corporation.

Section 5.5. Executive Officer Compensation & Stock Option Committee. There shall be an Executive Officer Compensation & Stock Option Committee of the Board of Directors that shall include a minimum of any three independent directors appointed from time to time by the Board. The functions of the Executive Officer Compensation & Stock Option Committee shall be to: (a) review and recommend to the Board the compensation and other contractual terms and conditions for employment of the Corporation's executive officers, (b) review and recommend to the Board the compensation and other contractual terms and conditions for employment of any and all former executive officers of the company who resume service to the Company as independent contractors or non-officer

employees, (c) review the compensation and other contractual terms and conditions for employment of other corporate or subsidiary officers whose annual cash compensation exceeds \$250,000, (d) to administer the Corporation's stock option plans and authorize grants thereunder, and (e) to administer the Corporation's employee stock purchase plan.

Section 5.6 Nominating, Governance & Succession Committee. There shall be a Nominating, Governance & Succession Committee of the Board of Directors that shall include a minimum of any three independent directors appointed from time to time by the board. The functions of the Nominating, Governance & Succession Committee shall be to: (a) make recommendations to the board as to the optimal number of directors on the Board, (b) review and recommend criteria for the reelection of incumbent directors, (c) have jurisdiction over the compensation of directors, (d) review and recommend executive officer succession, and (e) be responsible for all matters of corporate governance.

ARTICLE VI OFFICERS

Section 6.1 Officers The officers of the Corporation shall be a chief executive officer, a president, a chairman of the Board, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, a secretary, a controller, and a treasurer, each of whom shall be an executive officer of the Corporation appointed by the Board of Directors. The Corporation may also have one or more assistant vice presidents, one or more assistant secretaries, one or more assistant controllers, and one or more assistant treasurers, each of whom shall be an assistant officer of the Corporation appointed by the Executive Committee of the Board of Directors. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 6.2 Election. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect all principal officers for the ensuing year and shall designate a chief executive officer and a chief financial officer. At its first meeting after each annual meeting of stockholders, the Executive Committee shall elect all assistant officers.

Section 6.3 Other Officers. The Board of Directors

may appoint such other officers and agents as it shall deem necessary and they shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 6.4 Term. Subject to an applicable written employment agreement, if any, between the Corporation and any principal officer elected or appointed by the Board of Directors or any assistant officer appointed by the Executive Committee of the Board of Directors, said officer may be removed at any time, either with or without cause, by the affirmative vote of a majority of the Board of Directors or of the Executive Committee of the Board of Directors, respectively. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors or by the Executive Committee of the Board of Directors pursuant to the requirements of Section 6.1 of this Article VI. Compensation and other terms and conditions of employment of any principal officer shall be subject to approval of the Officer Compensation and Stock Option Committee and the Board of Directors. Compensation and other terms and conditions of employment of assistant officers shall be subject to approval of the Executive Committee of the Board of Directors.

Section 6.5 The Chairman of the Board of Directors. The chairman of the Board of Directors shall be responsible to the Board of Directors, shall prepare communications to the Board, and with input from the Executive Committee, shall prepare agenda for meetings of the Board of Directors. The Chairman of the Board of Directors shall be a member of the Executive Committee and shall preside over all meetings of the Board of Directors and of the stockholders. At the request of the President and Chief Executive Officer, the Chairman shall assist him in communications with stockholders, the press and the investment community. The chairman shall exercise and perform such other powers and duties as may, from time to time, be assigned to him by the Board of Directors or prescribed by these bylaws.

Section 6.6 The President. The president shall have general and active management over the business and affairs of the corporation, subject, however, to the powers and authority of the chief executive officer and to the control of the Board of Directors. In the absence or disability of the chief executive officer, the president shall perform

the duties of the chief executive officer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the chief executive officer.

Section 6.7 The Senior Vice Presidents. In the absence of the chairman of the board or any executive vice presidents, the senior vice presidents, in order of their rank as fixed by the board of directors, or, if not ranked, the senior vice president designated by the Board of Directors shall perform the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The senior vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Executive Committee of the Board of Directors.

Section 6.8 The Vice Presidents. The vice presidents shall have such powers and perform such duties as may from time to time be prescribed by the Executive Committee of the Board of Directors.

Section 6.9 The Secretary. The secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors, committees of the board, and stockholders. Such minutes shall include all waivers of notice, consents to the holding of meeting, or approvals of the minutes of meetings executed pursuant to these bylaws or statute. The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders, and the number and class of shares held by each.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by these bylaws or by law to be given, and shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

Section 6.10 The Assistant Secretary. The assistant secretary shall have all the powers and perform all the duties of the secretary in the absence or inability of the secretary to act.

Section 6.11 The Controller. The Controller of the Corporation shall be the general manager of the accounting, tax and internal audit functions of the Corporation and its

subsidiaries, subject to the control of the chief financial officer. The controller shall have such other powers and perform such other duties as from time to time may be prescribed by the chief financial officer.

Section 6.12 The Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuables in the name and to the credit of the Company. The treasurer shall also have such other powers and perform such other duties as may be prescribed by the Executive Committee of the Board of Directors.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS,
OFFICERS, EMPLOYEES AND AGENTS

Section 7.1. Actions, Suits or Proceedings Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges, expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided however, that the foregoing indemnity shall not be applicable as to any person who is or was or agreed to become an employee or agent of the Corporation (other than employees or agents who are or were also officers or directors of the Corporation), or is or was serving or

agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise (other than employees or agents who are or were also officers or directors of any such other corporation, partnership, joint venture, trust or enterprise), unless and until such indemnity is specifically approved by the Board of Directors. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 7.2. Actions or Suits by or in the Right of the Corporation.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection with the defense or settlement of such action or suit and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such costs, charges and expenses which the Court of Chancery or such other court shall deem proper;

provided, however, that the foregoing indemnity shall not be applicable as to any person who is or was or agreed to become an employee or agent of the Corporation (other than employees or agents who are or were also officers or directors of the Corporation), or is or was serving or agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise other than employees or agents who are or were also officers or directors of any such other corporation, partnership, joint venture, trust or enterprise), unless and until such indemnity is specifically approved by the Board of Directors.

Section 7.3. Indemnification for Costs, Charges and Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to in Sections 7.1 and 7.2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against all costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7.4. Determination of Right to Indemnification. Any indemnification under Sections 7.1 and 7.2 of this Article (unless ordered by a court) shall be paid by the Corporation unless a determination is made (1) by the Board of Directors by a majority vote of the quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders, that indemnification of the director, officer, employee or agent is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Sections 7.1 and 7.2 of this Article.

Section 7.5. Advance of Costs, Charges and Expenses. Costs, charges and expenses (including attorneys' fees incurred by a person referred to in Sections 7.1 and 7.2 of this Article in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance

of the final disposition of such action, suit or proceeding; providing, however, that the payment of such costs, charges and expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer) in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article. Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may, in the manner set forth above, and upon approval of such director, officer, employee or agent of the Corporation, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action suit or proceeding.

Section 7.6. Procedure for Indemnification. Any indemnification under Sections 7.1., 7.2 or 7.3, or advance of costs, charges and expenses under Section 7.5 of this Article, shall be made promptly, and in any event within 30 days, upon the written request of the director, officer, employee or agent. The right to indemnification or advances as granted by this Article shall be enforceable by the director, officer, employee or agent in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 30 days. Such persons, costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 7.5 of this Article where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Sections 7.1 or 7.2 of this Article, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its

independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 7.1 or 7.2 of this Article, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 7.7. Other Rights; Continuation of Right to Indemnification.

The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any law (common or statutory), agreement, vote of stockholders or disinterested director or otherwise, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification under this Article shall be deemed to be a contract between the Corporation and each director, officer, employee or agent of the Corporation who serves or served in such capacity at any time while this Article is in effect. Any repeal or modification of this Article or any repeal or modification of relevant provisions of the Delaware General Corporation Law or any other applicable laws shall not in any way diminish any rights to indemnification of such director, officer, employee or agent or the obligations of the Corporation arising hereunder.

Section 7.8. Insurance. The Corporation shall purchase and maintain

insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his

status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire Board of Directors.

Section 7.9. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII
STOCKHOLDERS

Section 8.1. Certificates of Stock. Every holder of shares in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the chairman, the president or a vice president and the secretary or an assistant secretary of the Corporation, or the treasurer or an assistant treasurer, certifying the number of shares owned by him in the Corporation. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 8.2. Lost Certificates. The Board of Directors may direct a new certificate or certificates of stock to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing

such issue of a new certificate or certificates the Corporation may, in its discretion, and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond (or other adequate security) in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 8.3. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 8.4. Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting, but the board shall fix a new record date if the meeting is adjourned for more than forty-five days from the date set for the original meeting.

Section 8.5. No Record Date. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business at the day next preceding the day on which notice is given, or, if notice is waived, at the end of business of the day next preceding the day on which the meeting is held. The record

date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 8.6. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX
GENERAL PROVISIONS

Section 9.1. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 9.2. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the name of the state of its incorporation. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE X
AMENDMENTS

Section 10.1. Amendments. Subject to the provisions of the Certificate of Incorporation, these bylaws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a vote of not less than 70% of the outstanding stock entitled to vote at such meeting; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the certificate of incorporation and these bylaws, the Board of Directors may by majority vote of those present at any meeting at which a quorum is present amend these bylaws, or enact such other bylaws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation.

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CREDIT AGREEMENT

Dated as of June 28, 2002

among

ABM INDUSTRIES INCORPORATED,

U.S. BANK NATIONAL ASSOCIATION,
as Documentation Agent,

KEYBANK NATIONAL ASSOCIATION,
as Syndication Agent,

BANK OF AMERICA, N.A.,
as Administrative Agent, Swing Line Lender
and
L/C Issuer,

and

The Other Lenders Party Hereto

BANC OF AMERICA SECURITIES LLC,
Sole Lead Arranger and Sole Book Manager

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CREDIT AGREEMENT

This CREDIT AGREEMENT (the "Agreement") dated as of June 28, 2002 is among ABM INDUSTRIES INCORPORATED, a Delaware corporation (the "Company"), each lender from time to time party hereto (collectively, the "Lenders" and individually, each a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The Company has requested that the Lenders provide a revolving credit facility, and the Lenders are willing to do so on the terms and conditions set forth herein.

In consideration of the mutual agreements contained herein the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.1 DEFINED TERMS. As used in this Agreement, the following terms have the respective meanings set forth below:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person or otherwise causing any Person to become a Subsidiary or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary); provided that the Company or a Subsidiary is the surviving entity.

"Adjusted Consolidated EBITDA" means, for any period, Consolidated EBITDA for such period; provided that in calculating Adjusted Consolidated EBITDA,

(a) if the Company or any Subsidiary makes a Permitted Acquisition during such period for aggregate consideration in excess of \$10,000,000, the EBITDA of the Person or assets acquired (and, solely for the purpose of determining pro forma compliance with financial covenants pursuant to Section 7.11, any Person or assets to be acquired) shall be included on a pro forma basis for such period (assuming the consummation of such Acquisition and the incurrence or assumption of any Indebtedness in connection therewith occurred on the first day of such period, but adjusted to add back certain non-recurring expenses to the extent disclosed to and reasonably approved by the Required Lenders) based upon (i) to the extent available, (x) the audited consolidated financial statements of such acquired Person (or with respect to such acquired assets) as at the end of the fiscal year of such Person (or of the seller of such assets) preceding such Acquisition and (y) any subsequent unaudited financial statements for such Person (or with respect to such acquired assets) for the period prior to such Acquisition so long as such statements were prepared on a basis consistent with the audited financial statements referred to above or (ii) to the extent the items listed in clause (i) are not available, such historical financial statements and other information as is disclosed to, and reasonably approved by, the Required Lenders; and

(b) if the Company or any Subsidiary makes a Disposition (or a series of related Dispositions) during such period for aggregate consideration in excess of \$10,000,000, the EBITDA of any Person (or division or similar business unit) disposed of by the Company or any Subsidiary during such period shall be excluded on a pro forma basis for such period (assuming the consummation of such Disposition occurred on the first day of such period).

"Adjusted Consolidated EBITDAR" means, for any period, the sum of (a) Adjusted Consolidated EBITDA for such period plus (b) rental expense for such period.

"Administrative Agent" means Bank of America in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 10.2, or such other address or account as the Administrative Agent may from time to time notify the Company and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Agent-Related Persons" means the Administrative Agent together with its Affiliates (including, in the case of Bank of America in its capacity as the Administrative Agent, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Aggregate Commitments" means the Commitments of all the Lenders. The Aggregate Commitments on the date hereof are \$150,000,000.

"Agreement" has the meaning specified in the introductory paragraph hereto.

"Applicable Rate" means, from time to time, the following percentages per annum, based upon the Leverage Ratio as set forth below:

APPLICABLE RATE				
PRICING LEVEL	LEVERAGE RATIO	COMMITMENT FEE	EURODOLLAR RATE + LETTERS OF CREDIT	BASE RATE +
1	greater than equal to 1.75 to 1.0	0.250%	1.250%	0.250%
2	greater than equal to 1.25 to 1.0 but less than 1.75 to 1.0	0.200%	1.000%	0.000%
3	less than 1.25 to 1.0	0.175%	0.875%	0.000%

Initially, the applicable Pricing Level shall be Pricing Level 3. Thereafter, the applicable Pricing Level shall be adjusted, to the extent applicable, 60 days (or, in the case of the last fiscal quarter of any fiscal year, 90 days) after the end of each fiscal quarter based on the Leverage Ratio as of the last day of such fiscal quarter; provided that if the Company fails to deliver the financial statements required by Section 6.1(a) or (b), as applicable, and the related Compliance Certificate required by Section 6.2(b) by the 60th day (or, if applicable, the 90th day) after any fiscal quarter, Pricing Level 1 shall apply until such financial statements are delivered.

"Arranger" means Banc of America Securities LLC, in its capacity as sole lead arranger and sole book manager.

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of Exhibit E.

"Attorney Costs" means and includes all reasonable fees, expenses and disbursements of any law firm or other external counsel and, without duplication, the allocated cost of internal legal services and all expenses and disbursements of internal counsel.

"Attributable Indebtedness" means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a capital lease.

"Audited Financial Statements" means the audited consolidated balance sheet of the Company and its Subsidiaries for the fiscal year ended October 31, 2001, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, including the notes thereto.

"Availability Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Commitments pursuant to Section 2.6, and (c) the date of termination of the commitment of each Lender to

make Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.2.

"Bank of America" means Bank of America, N.A. and its successors.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate." The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Revolving Loan that is a Base Rate Loan.

"Borrowing" means a Revolving Borrowing or a Swing Line Borrowing, as the context may require.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, San Francisco and the state where the Administrative Agent's Office is located and, if such day relates to any Eurodollar Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Cash Collateralize" has the meaning specified in Section 2.3(g).

"Cash Equivalents" means (a) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (b) debt securities rated in at least the second highest grade by at least one nationally recognized credit rating agency, (c) time deposits with, including certificates of deposit issued by, (i) any Lender or (ii) any office of any bank or trust company whose certificates of deposit are rated in one of the two highest grades by at least one nationally recognized rating agency, or (d) repurchase agreements entered into with a bank or trust company described in clause (c) (or with securities broker-dealers of nationally recognized standing) with respect to obligations described in clause (a).

"Change of Control" means, with respect to any Person, an event or series of events by which any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding the Rosenberg Family, any employee benefit plan of such person or its subsidiaries, and any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire (such right, an "option right"), whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 25% or more of the equity securities of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right).

"Closing Date" means the first date all the conditions precedent in Section 4.1 are satisfied or waived in accordance with Section 4.1 (or, in the case of Section 4.1(b), waived by the Person entitled to receive the applicable payment).

"Code" means the Internal Revenue Code of 1986.

"Commitment" means, as to each Lender, its obligation to (a) make Revolving Loans to the Company pursuant to Section 2.1, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 2.1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

"Company" has the meaning specified in the introductory paragraph hereto.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Consolidated EBITDA" means, for any period, an amount equal to Consolidated Net Income for such period plus, to the extent deducted in calculating such Consolidated Net Income, (i) Consolidated Interest Charges, (ii) provisions for federal, state, local and foreign income taxes payable by the Company and its Subsidiaries, (iii) depreciation and amortization expense and (iv) all non-cash, non-recurring and extraordinary charges (including charges resulting from the application of Financial Accounting Standard No. 142) minus, to the extent included in such Consolidated Net Income, all non-recurring and extraordinary gains.

"Consolidated Interest Charges" means, for any period, for the Company and its Subsidiaries on a consolidated basis, the sum, without duplication, of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Company and its Subsidiaries in connection with borrowed money (including capitalized interest) or the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of the Company and its Subsidiaries with respect to such period under capital leases or with respect to Synthetic Lease Obligations that, in each case, is treated as interest in accordance with GAAP.

"Consolidated Net Income" means, for any period, the consolidated net income of the Company and its Subsidiaries for such period.

"Consolidated Net Worth" means, as of any date of determination, Shareholders' Equity on such date.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Control" has the meaning specified in the definition of "Affiliate."

"Credit Extension" means each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would (if not cured or otherwise remedied during such time) be an Event of Default.

"Default Rate" means (a) with respect to Base Rate Loans, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Rate, if any, applicable to Base Rate Loans plus (iii) 2% per annum; and (b) with respect to a Eurodollar Rate Loan, an interest rate equal to (i) the Eurodollar Rate plus (ii) the Applicable Rate plus (iii) 2% per annum, in each case to the fullest extent permitted by applicable Laws.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Revolving Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Dollar" and "\$" mean lawful money of the United States.

"Earn-out" means, with respect to any Person, any payment that may be required to be made by such Person in connection with an Acquisition, where the obligation of such Person to make such payment (or the amount thereof) is contingent upon the financial or other performance of the Person or asset acquired. The amount of any Earn-out shall equal the anticipated amount thereof as reasonably determined in good faith by the Company.

"EBITDA" means, for any Person for any period, the consolidated net income of such Person for such period plus, to the extent deducted in determining such consolidated net income, interest expense, income tax expense, depreciation and amortization of such Person.

"Eligible Assignee" has the meaning specified in Section 10.7(g).

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate.

"Eurodollar Rate" means for any Interest Period with respect to any Eurodollar Rate Loan:

(a) the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate that appears on the page of the Telerate screen (or any successor thereto) that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) if the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall not be available, the rate per annum equal to the rate determined by the Administrative Agent to be the offered rate on such other page or other service that displays an average British Bankers Association

Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) if the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted by Bank of America and with a term equivalent to such Interest Period would be offered by Bank of America's London Branch to major banks in the London interbank eurodollar market at their request at approximately 4:00 p.m. (London time) two Business Days prior to the first day of such Interest Period.

"Eurodollar Rate Loan" means a Revolving Loan that bears interest at a rate based on the Eurodollar Rate.

"Event of Default" has the meaning specified in Section 8.1.

"Existing Credit Agreement" means the Credit Agreement dated as of June 25, 1997 among the Company, Bank of America (then known as Bank of America National Trust and Savings Association), as agent, and a syndicate of lenders.

"Existing Letters of Credit" means the letters of credit listed on Schedule 1 issued under the Existing Credit Agreement.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Bank of America on such day on such transactions as determined by the Administrative Agent.

"Fee Letter" means the letter agreement dated May 29, 2002 among the Company, the Administrative Agent and the Arranger.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (a) Adjusted Consolidated EBITDAR for the period of the four prior fiscal quarters ending on such date to (b) the sum, without duplication, of (i) Consolidated Interest Charges for such period plus (ii) rent expense for such period plus (iii) scheduled principal payments of long-term Indebtedness required to be made during such period.

"Foreign Lender" has the meaning specified in Section 10.13(a).

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

"Funded Indebtedness" means all Indebtedness of the Company and its Subsidiaries, excluding (i) contingent obligations in respect of commercial letters of credit and Guarantees (except, in each case, to the extent constituting Guarantees in respect of Indebtedness of a Person other than the Company or any Subsidiary), (ii) obligations under Swap Contracts and (iii) Indebtedness of the Company to Subsidiaries and Indebtedness of Subsidiaries to the Company or to other Subsidiaries.

"GAAP" means generally accepted accounting principles in the United States set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantors" means all Subsidiaries of the Company that have executed a counterpart of the Guaranty.

"Guaranty" means the Guaranty made by the Guarantors in favor of the Administrative Agent on behalf of the Lenders, substantially in the form of Exhibit F.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Honor Date" has the meaning specified in Section 2.3(c)(i).

"Indebtedness" means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all obligations of such Person to pay the deferred purchase price of property or services (other than (i) trade accounts payable in the ordinary course of business and (ii) Earn-outs owed by such Person with respect to any Acquisition);

(c) all Attributable Indebtedness of such Person under capital leases and with respect to Synthetic Lease Obligations;

(d) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers' acceptances, bank guaranties and similar instruments;

(e) net obligations of such Person under any Swap Contract;

(f) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; and

(g) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or similar entity in which such Person is a general partner or with respect to which such Person has liability under applicable laws for the obligations of such entity, except to the extent that such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Liabilities" has the meaning set forth in Section 10.5.

"Indemnitees" has the meaning set forth in Section 10.5.

"Interest Payment Date" means (a) as to any Eurodollar Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date; provided that if any Interest Period for a Eurodollar Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one, two, three or six months thereafter (or on such other date as all Lenders shall agree), as selected by the Company in a Revolving Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the following Business Day unless such following Business Day falls in another calendar month, in which case such Interest Period shall end on the preceding Business Day;

(ii) except as otherwise agreed by all Lenders, any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the scheduled Maturity Date.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

"IP Rights" has the meaning set forth in Section 5.16.

"IRS" means the United States Internal Revenue Service.

"Joint Venture" means a partnership, limited liability company, joint venture or other similar legal arrangement (whether created by contract or conducted through a separate legal entity) now or hereafter formed by the Company or any of its Subsidiaries with another Person in order to conduct a common venture or enterprise with such Person.

"Laws" means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"L/C Advance" means, with respect to each Lender, such Lender's funding of its participation in any L/C Borrowing in accordance with its Pro Rata Share.

"L/C Borrowing" means an extension of credit resulting from a drawing under any Letter of Credit which has not been reimbursed on the date when made or refinanced as a Revolving Borrowing.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the renewal or increase of the amount thereof.

"L/C Issuer" means Bank of America in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder; provided that solely with respect to certain Existing Letters of Credit which were issued by Bank of America, KeyBank National Association ("KeyBank") and U.S. Bank National Association ("U.S. Bank"), KeyBank and U.S. Bank shall also be L/C Issuers (and the relevant provisions of this Agreement shall be modified to account for the fact that such Existing Letters of Credit have been issued by multiple issuers).

"L/C Obligations" means, as at any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus the aggregate of all Unreimbursed Amounts, including all L/C Borrowings.

"Lender" has the meaning specified in the introductory paragraph hereto and, as the context requires, includes the L/C Issuer and the Swing Line Lender.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Company and the Administrative Agent.

"Letter of Credit" means any letter of credit issued hereunder and shall include the Existing Letters of Credit. A Letter of Credit may be a commercial letter of credit or a standby letter of credit.

"Letter of Credit Application" means an application and agreement for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

"Letter of Credit Sublimit" means an amount equal to the lesser of the Aggregate Commitments and \$125,000,000. The Letter of Credit Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Leverage Ratio" means, as of any date of determination, for the Company and its Subsidiaries on a consolidated basis, the ratio of (a) Funded Indebtedness of the Company and its Subsidiaries as of such date to (b) Adjusted Consolidated EBITDA for the period of the four fiscal quarters ending on such date.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

"Loan" means an extension of credit by a Lender to the Company under Article II in the form of a Revolving Loan or a Swing Line Loan.

"Loan Documents" means this Agreement, each Note, the Fee Letter, and the Guaranty.

"Loan Parties" means, collectively, the Company and each Guarantor, it being understood that "Loan Parties" shall not include any Subsidiary that has been released as a Guarantor pursuant to Section 9.11.

"Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties or condition (financial or otherwise) of the Company or the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of any Loan Party to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

"Maturity Date" means (a) July 1, 2005 or (b) such earlier date upon which the Loans and other Obligations become due in accordance with the terms hereof.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Company or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Note" means a promissory note made by the Company in favor of a Lender evidencing Loans made by such Lender, substantially in the form of Exhibit C.

"Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents

with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

"Outstanding Amount" means (a) with respect to Revolving Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and repayments occurring on such date; and (b) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other change in the aggregate amount of the L/C Obligations as of such date, including as a result of reimbursement of any outstanding unpaid drawing under any Letter of Credit or any reduction in the maximum amount available for drawing under any Letter of Credit taking effect on such date.

"Participant" has the meaning specified in Section 10.7(d).

"PBGC" means the Pension Benefit Guaranty Corporation.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Company or any ERISA Affiliate or to which the Company or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Permitted Acquisition" means an Acquisition that meets each of the following requirements: (a) the Person to be acquired is, or the assets to be acquired are for use in, the same or similar line of business as the Company, (b) in the case of the Acquisition of a Person, such Acquisition has been approved by the board of directors or similar governing body and, if applicable, the shareholders of the Person to be acquired, (c) if the aggregate consideration (including consideration to be paid in common stock of the Company, Earn-outs, cash and assumed debt) to be paid by the Company in connection with such Acquisition is equal to or greater than \$2,000,000, the Company has delivered to the Administrative Agent at least 10 days' prior written notice of the consummation of such Acquisition, (d) the Company is and will be in pro forma compliance with each of the financial covenants contained in Section 7.11 before and after giving effect to such Acquisition, (e) the aggregate consideration (other than consideration to be paid in common stock of the Company, but including Earn-outs, cash and assumed debt) to be paid by the Company in connection with such Acquisition (or any series of related Acquisitions) does not exceed Consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which the Company has delivered financial statements pursuant to Section 6.1, (f) no Default shall exist at the time of, or shall result from, such Acquisition and (g) if the aggregate consideration (including consideration to be paid in common stock of the Company, Earn-outs, cash and assumed debt) to be paid by the Company in connection with

such Acquisition is equal to or greater than \$10,000,000, the Company has delivered to the Administrative Agent a pro forma Compliance Certificate for the fiscal quarter most recently ended (calculated as if such Acquisition had occurred on the first day of the period of four consecutive fiscal quarters ending on the last day of such fiscal quarter).

"Permitted Long-Term Indebtedness" means Indebtedness of the Company or a Guarantor which (a) requires no payments of principal until the date which is 91 days after the scheduled Maturity Date or (b) is incurred to finance an Acquisition and is intended to be replaced, and is in fact replaced, by Indebtedness described in the preceding clause (a) within six months after the incurrence thereof.

"Permitted Stock Repurchases" means repurchases or redemptions by the Company of its capital stock for fair and reasonable consideration not exceeding (a) \$45,000,000 in aggregate amount during the fiscal year ending October 31, 2002 and (b) \$35,000,000 in aggregate amount during any fiscal year thereafter; provided that the Company may add up to \$10,000,000 of the unused portion of such limit for any fiscal year to the limit for the immediately succeeding fiscal year.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established by the Company or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, any ERISA Affiliate.

"Pro Rata Share" means, with respect to each Lender at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Lender at such time and the denominator of which is the amount of the Aggregate Commitments at such time; provided that if the commitment of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.2, then the Pro Rata Share of each Lender shall be determined based on the Pro Rata Share of such Lender immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof. The initial Pro Rata Share of each Lender is set forth opposite the name of such Lender on Schedule 2.1 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Register" has the meaning set forth in Section 10.7(c).

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Revolving Loans, a Revolving Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Lenders" means, as of any date of determination, Lenders having more than 50% of the Aggregate Commitments or, if the commitment of each Lender to make Loans and

the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.2, Lenders holding in the aggregate more than 50% of the Total Outstandings (with the aggregate amount of each Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Lender for purposes of this definition); provided that the Commitment of, and the portion of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other equity interest of the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other equity interest or of any option, warrant or other right to acquire any such capital stock or other equity interest.

"Revolving Borrowing" means a borrowing consisting of simultaneous Revolving Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Lenders pursuant to Section 2.1.

"Revolving Loan" has the meaning specified in Section 2.1.

"Revolving Loan Notice" means a notice of (a) a Revolving Borrowing, (b) a conversion of Revolving Loans from one Type to the other or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.2(a), which, if in writing, shall be substantially in the form of Exhibit A.

"Rosenberg Family" means the lineal descendants of Morris Rosenberg, their respective spouses, any trust for the benefit of the foregoing and any other Person more than 50% of the equity of which is owned by any of the foregoing.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Shareholders' Equity" means, as of any date of determination, consolidated shareholders' equity of the Company and its Subsidiaries as of that date determined in accordance with GAAP.

"SPC" has the meaning specified in Section 10.7(h).

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than

securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Company.

"Surety Bond" means, with respect to any Person, a bid bond, performance bond, payment bond, maintenance bond, license bond, permit bond or similar bond issued on behalf of such Person by a bonding company or other surety.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in subsection (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swing Line" means the revolving credit facility made available by the Swing Line Lender pursuant to Section 2.4.

"Swing Line Borrowing" means a borrowing of a Swing Line Loan pursuant to Section 2.4.

"Swing Line Lender" means Bank of America in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loan" has the meaning specified in Section 2.4(a).

"Swing Line Loan Notice" means a notice of a Swing Line Borrowing pursuant to Section 2.4(b), which, if in writing, shall be substantially in the form of Exhibit B.

"Swing Line Sublimit" means an amount equal to the lesser of (a) \$10,000,000 and (b) the Aggregate Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Commitments.

"Synthetic Lease Obligation" means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

"Total Outstandings" means the aggregate Outstanding Amount of all Loans and all L/C Obligations.

"Type" means, with respect to a Revolving Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." mean the United States of America.

"Unreimbursed Amount" has the meaning set forth in Section 2.3(c)(i).

1.2 OTHER INTERPRETIVE PROVISIONS.

With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) (i) The words "herein," "hereto," "hereof" and "hereunder" and words of similar import when used in any Loan Document shall refer to such Loan Document as a whole and not to any particular provision thereof.

(ii) Article, Section, Exhibit and Schedule references are to the Loan Document in which such reference appears.

(iii) The term "including" is by way of example and not limitation.

(iv) The term "documents" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form.

(c) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(d) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(e) Except to the extent otherwise specified, references herein to "fiscal quarter" and "fiscal year" mean such fiscal periods of the Company.

1.3 ACCOUNTING TERMS. (a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Company or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Company shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Company shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.4 ROUNDING. Any financial ratios required to be maintained by the Company pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.5 REFERENCES TO AGREEMENTS AND LAWS. Unless otherwise expressly provided herein, (a) references to Organization Documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

1.6 TIMES OF DAY. Unless otherwise specified, all references herein to times of day shall be references to Pacific time (daylight or standard, as applicable).

1.7 LETTER OF CREDIT AMOUNTS. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the maximum face amount of such Letter of Credit under any and all circumstances at or after such time in accordance with such Letter of Credit or the Letter of Credit Application therefor, whether or not such maximum face amount is in effect at such time.

ARTICLE II
THE COMMITMENTS AND CREDIT EXTENSIONS

2.1 REVOLVING LOANS.

Subject to the terms and conditions set forth herein, each Lender severally agrees to make loans (each such loan, a "Revolving Loan") to the Company from time to time on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment; provided that after giving effect to any Revolving Borrowing, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations, plus such Lender's Pro Rata Share of the Outstanding Amount of all Swing Line Loans shall not exceed the amount of such Lender's Commitment. Within the limits of each Lender's Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.1, prepay under Section 2.5, and reborrow under this Section 2.1. Revolving Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

2.2 PROCEDURE FOR BORROWING, CONVERSION AND CONTINUATION OF REVOLVING LOANS.

(a) Each Revolving Borrowing, each conversion of Revolving Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Company's irrevocable notice to the Administrative Agent, which may be given by telephone. Each such notice must be received by the Administrative Agent not later than (i) 10:00 a.m. three Business Days prior to the requested date of any borrowing of, conversion of or to or continuation of Eurodollar Rate Loans and (ii) 9:00 a.m. on the requested date of any borrowing of Base Rate Loans. Each telephonic notice by the Company pursuant to this Section 2.2(a) must be confirmed promptly by delivery to the Administrative Agent of a written Revolving Loan Notice, appropriately completed and signed by a Responsible Officer of the Company. Each borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a principal amount of \$2,000,000 or a higher integral multiple of \$1,000,000. Except as provided in Sections 2.3(c) and 2.4(c), each borrowing of or conversion to Base Rate Loans shall be in a principal amount of \$500,000 or a higher integral multiple of \$100,000. Each Revolving Loan Notice (whether telephonic or written) shall specify (i) whether the Company is requesting a Revolving Borrowing, a conversion of Revolving Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Revolving Loans to be borrowed, converted or continued, (iv) the Type of Revolving Loans to be borrowed or to which existing Revolving Loans are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Company fails to specify a Type of Revolving Loan in a Revolving Loan Notice or if the Company fails to give a timely notice

requesting a conversion or continuation, then the applicable Revolving Loans shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans. If the Company requests a borrowing of, conversion to, or continuation of Eurodollar Rate Loans in any such Revolving Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

(b) Following receipt of a Revolving Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Pro Rata Share of the applicable Revolving Loans, and if no timely notice of a continuation is provided by the Company, the Administrative Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in the preceding subsection. In the case of a Revolving Borrowing, each Lender shall make the amount of its Revolving Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 11:00 a.m. on the Business Day specified in the applicable Revolving Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.2 (and, if such Borrowing is the initial Credit Extension, Section 4.1), the Administrative Agent shall make all funds so received available to the Company in like funds as received by the Administrative Agent by crediting the account of the Company on the books of Bank of America with the amount of such funds in accordance with instructions provided by the Company to (and reasonably acceptable to) the Administrative Agent.

(c) During the existence of a Default, no Loans may be requested as, converted to or continued as Eurodollar Rate Loans without the consent of the Required Lenders.

(d) The Administrative Agent shall promptly notify the Company and the Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. Each determination of an applicable Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Company and the Lenders of any change in Bank of America's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(e) After giving effect to all Revolving Borrowings, all conversions of Revolving Loans from one Type to the other, and all continuations of Revolving Loans as the same Type, there shall not be more than seven Interest Periods in effect with respect to Revolving Loans.

2.3 LETTERS OF CREDIT.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the other Lenders set forth in this Section 2.3, (1) from time to time on any Business Day during the Availability Period, to issue Letters of Credit for the account of the Company, and to amend or renew Letters of Credit previously issued by it, in accordance with subsection (b) below, and (2) to honor

drafts under the Letters of Credit; and (B) the Lenders severally agree to participate in Letters of Credit issued for the account of the Company; provided that the L/C Issuer shall not be obligated to make any L/C Credit Extension with respect to any Letter of Credit, and no Lender shall be obligated to participate in, any Letter of Credit if as of the date of such L/C Credit Extension, (x) the Total Outstandings would exceed the Aggregate Commitments, (y) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations, plus such Lender's Pro Rata Share of the Outstanding Amount of all Swing Line Loans would exceed the amount of such Lender's Commitment, or (z) the Outstanding Amount of the L/C Obligations would exceed the Letter of Credit Sublimit. Within the foregoing limits, and subject to the terms and conditions hereof, the Company's ability to obtain Letters of Credit shall be fully revolving and, accordingly, the Company may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. All Existing Letters of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) The L/C Issuer shall be under no obligation to issue any Letter of Credit if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) subject to Section 2.3(b)(iii), the expiry date of such requested Letter of Credit would occur more than twelve months after the date of issuance or last renewal, unless the Required Lenders have approved such expiry date;

(C) the expiry date of such requested Letter of Credit would occur more than one year after the scheduled Maturity Date, unless all Lenders have approved such expiry date;

(D) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer; or

(E) such Letter of Credit is in an initial amount less than \$100,000, in the case of a commercial Letter of Credit, or \$250,000, in the case of a standby Letter of Credit, or is to be denominated in a currency other than Dollars.

(iii) The L/C Issuer shall be under no obligation to amend any Letter of Credit if (A) the L/C Issuer would have no obligation at such time to issue such Letter of Credit in its amended form under the terms hereof, or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(b) Procedures for Issuance and Amendment of Letters of Credit; Auto-Renewal Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Company delivered to the L/C Issuer (with a copy to the Administrative Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Company. Such Letter of Credit Application must be received by the L/C Issuer and the Administrative Agent not later than 10:00 a.m. at least two Business Days (or such later date and time as the L/C Issuer may agree in a particular instance in its sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for the initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the L/C Issuer may require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail satisfactory to the L/C Issuer (1) the Letter of Credit to be amended; (2) the proposed date of amendment thereof (which shall be a Business Day); (3) the nature of the proposed amendment; and (4) such other matters as the L/C Issuer may require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Administrative Agent (by telephone or in writing) that the Administrative Agent has received a copy of such Letter of Credit Application from the Company and, if not, the L/C Issuer will provide the Administrative Agent with a copy thereof. Upon receipt by the L/C Issuer of confirmation from the Administrative Agent that the requested issuance or amendment is permitted in accordance with the terms hereof, then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the Company or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the L/C Issuer a risk participation in such Letter

of Credit in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Letter of Credit.

(iii) If the Company so requests in any applicable Letter of Credit Application, the L/C Issuer may, in its sole and absolute discretion, agree to issue a Letter of Credit that has automatic renewal provisions (each, an "Auto-Renewal Letter of Credit"); provided that any such Auto-Renewal Letter of Credit must permit the L/C Issuer to prevent any such renewal at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Nonrenewal Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the L/C Issuer, the Company shall not be required to make a specific request to the L/C Issuer for any such renewal. Once an Auto-Renewal Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the L/C Issuer to permit the renewal of such Letter of Credit at any time to an expiry date not later than one year following the Maturity Date; provided that the L/C Issuer shall not permit any such renewal if (A) the L/C Issuer has determined that it would have no obligation at such time to issue such Letter of Credit in its renewed form under the terms hereof (by reason of the provisions of Section 2.3(a)(ii) or otherwise), or (B) it has received notice (which may be by telephone or in writing) on or before the day that is two Business Days before the Nonrenewal Notice Date (1) from the Administrative Agent that the Required Lenders have elected not to permit such renewal or (2) from the Administrative Agent, any Lender or the Company that one or more of the applicable conditions specified in Section 4.2 is not then satisfied.

(iv) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Company and the Administrative Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Company and the Administrative Agent of its receipt of such notice and the amount of the requested drawing. Not later than 9:00 a.m. on the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Company shall reimburse the L/C Issuer through the Administrative Agent in an amount equal to the amount of such drawing. If the Company fails to so reimburse the L/C Issuer by such time, the Administrative Agent shall promptly notify each Lender of the Honor Date, the amount of the unreimbursed drawing (the "Unreimbursed Amount"), and the amount of such Lender's Pro Rata Share thereof. In such event, the Company shall be deemed to have requested a Revolving Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the Unreimbursed Amount, without regard to the minimum and multiples specified in Section 2.2 for the principal amount of Base Rate Loans, but subject to the amount of the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.2 (other than the delivery of a Revolving Loan Notice).

Any notice given by the L/C Issuer or the Administrative Agent pursuant to this Section 2.3(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Lender (including the Lender acting as L/C Issuer) shall upon any notice pursuant to Section 2.3(c)(i) make funds available to the Administrative Agent for the account of the L/C Issuer at the Administrative Agent's Office in an amount equal to its Pro Rata Share of the Unreimbursed Amount not later than 11:00 a.m. on the Business Day specified in such notice by the Administrative Agent, whereupon, subject to the provisions of Section 2.3(c)(iii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Company in such amount. The Administrative Agent shall remit the funds so received to the L/C Issuer.

(iii) With respect to any Unreimbursed Amount that is not fully refinanced by a Revolving Borrowing of Base Rate Loans because the conditions set forth in Section 4.2 cannot be satisfied or for any other reason, the Company shall be deemed to have incurred from the L/C Issuer an L/C Borrowing in the amount of the Unreimbursed Amount that is not so refinanced, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the Default Rate. In such event, each Lender's payment to the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.3(c)(ii) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Lender in satisfaction of its participation obligation under this Section 2.3.

(iv) Until each Lender funds its Revolving Loan or L/C Advance pursuant to this Section 2.3(c) to reimburse the L/C Issuer for any amount drawn under any Letter of Credit, interest in respect of such Lender's Pro Rata Share of such amount shall be solely for the account of the L/C Issuer.

(v) Each Lender's obligation to make Revolving Loans or L/C Advances to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.3(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the L/C Issuer, the Company or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided that each Lender's obligation to make Revolving Loans pursuant to this Section 2.3(c) is subject to the conditions set forth in Section 4.2 (other than delivery by the Company of a Revolving Loan Notice). No such making of an L/C Advance shall relieve or otherwise impair the obligation of the Company to reimburse the L/C Issuer for the amount of any payment made by the L/C Issuer under any Letter of Credit, together with interest as provided herein.

(vi) If any Lender fails to make available to the Administrative Agent for the account of the L/C Issuer any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.3(c) by the time specified in Section

2.3(c)(ii), the L/C Issuer shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the L/C Issuer at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the L/C Issuer submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vi) shall be conclusive absent manifest error.

(d) Repayment of Participations.

(i) At any time after the L/C Issuer has made a payment under any Letter of Credit and has received from any Lender such Lender's L/C Advance in respect of such payment in accordance with Section 2.3(c), if the Administrative Agent receives for the account of the L/C Issuer any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from the Company or otherwise, including proceeds of Cash Collateral applied thereto by the Administrative Agent), the Administrative Agent will distribute to such Lender its Pro Rata Share thereof (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's L/C Advance was outstanding) in the same funds as those received by the Administrative Agent.

(ii) If any payment received by the Administrative Agent for the account of the L/C Issuer pursuant to Section 2.3(c)(i) is required to be returned under any of the circumstances described in Section 10.6 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Lender shall pay to the Administrative Agent for the account of the L/C Issuer its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect.

(e) Role of L/C Issuer. Each Lender and the Company agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, any Agent-Related Person nor any of the respective correspondents, participants or assignees of the L/C Issuer shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Required Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or Letter of Credit Application. The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided that this assumption is not intended to, and shall not, preclude the Company's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement, whether before or after any drawing by such beneficiary or transferee. None of the L/C Issuer, any Agent-Related Person, or any of the respective correspondents, participants or assignees of the L/C Issuer, shall be liable or

responsible for any of the matters described in clauses (i) through (v) of Section 2.3(e); provided that anything in such clauses to the contrary notwithstanding, the Company may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

(f) Obligations Absolute. The obligation of the Company to reimburse the L/C Issuer for each drawing under each Letter of Credit and to repay each L/C Borrowing shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Company may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law; or

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Company.

The Company shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Company's instructions or other irregularity, the Company will immediately notify the L/C Issuer. The Company shall be conclusively deemed to have waived any such claim against the L/C Issuer and its correspondents unless such notice is given as aforesaid.

(g) Cash Collateral. If, as of the Maturity Date, any Letter of Credit for any reason remains partially or wholly undrawn, the Company shall immediately Cash Collateralize all outstanding Letters of Credit in an amount equal to the undrawn amount of such Letters of Credit. For purposes hereof, "Cash Collateralize" means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, as collateral for the undrawn amount under a Letter of Credit, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Administrative Agent and the L/C Issuer (which documents are hereby consented to by the Lenders). Derivatives of such term have corresponding meanings. The Company hereby grants to the Administrative Agent, for the benefit of the L/C Issuer and the Lenders, a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash collateral shall be maintained in blocked, non-interest bearing deposit accounts at Bank of America.

(h) Letter of Credit Fees. The Company shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share (i) a letter of credit fee for each commercial Letter of Credit equal to 1/8 of 1% per annum times the daily maximum amount available to be drawn under such Letter of Credit and (ii) a letter of credit fee for each standby Letter of Credit equal to the Applicable Rate times the daily maximum amount available to be drawn under such Letter of Credit; provided that, upon the request of the Required Lenders while any Event of Default exists, the rate per annum at which all Letter of Credit fees are calculated shall be increased by 2%. Such letter of credit fees shall be computed on a quarterly basis in arrears. Such letter of credit fees shall be due and payable (x) on the first Business Day of each January, April, July and October, commencing October 1, 2002 (or, if later, on the first such date to occur after the issuance of such Letter of Credit), (y) on the earlier of (i) the scheduled Maturity Date and (ii) the date on which the Obligations are accelerated pursuant to Section 8.2, and (z) thereafter on demand. If there is any change in the Applicable Rate during any quarter, the daily maximum amount of each standby Letter of Credit shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(i) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Company shall pay directly to the L/C Issuer for its own account such fronting fees with respect to Letters of Credit as specified in a separate fee letter between the Company and the L/C Issuer. In addition, the Company shall pay directly to the L/C Issuer for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(j) Applicability of ISP98 and UCP. Unless otherwise expressly agreed by the L/C Issuer and the Company when a Letter of Credit is issued (including any such agreement

applicable to an Existing Letter of Credit), (i) the rules of the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the "ICC") at the time of issuance (including the ICC decision published by the Commission on Banking Technique and Practice on April 6, 1998 regarding the European single currency (euro)) shall apply to each commercial Letter of Credit.

(k) Conflict with Letter of Credit Application. In the event of any conflict between the terms hereof and the terms of any Letter of Credit Application, the terms hereof shall control.

2.4 SWING LINE LOANS.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender may (in its sole and absolute discretion) make a portion of the credit otherwise available to the Company under the Aggregate Commitments by making swing line loans (each such loan, a "Swing Line Loan") to the Company from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Pro Rata Share of the Outstanding Amount of Revolving Loans and L/C Obligations of the Lender acting as Swing Line Lender may exceed the amount of such Lender's Commitment; provided that after giving effect to any Swing Line Loan, (i) the Total Outstandings shall not exceed the Aggregate Commitments, and (ii) the aggregate Outstanding Amount of the Revolving Loans of any Lender, plus such Lender's Pro Rata Share of the Outstanding Amount of all L/C Obligations, plus such Lender's Pro Rata Share of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Commitment, and provided, further, that the Company shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company may, subject to the agreement of the Swing Line Lender, borrow under this Section 2.4, prepay under Section 2.5, and reborrow under this Section 2.4. Immediately upon the making of a Swing Line Loan, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Pro Rata Share times the amount of such Swing Line Loan.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Company's irrevocable notice to the Swing Line Lender and the Administrative Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Administrative Agent not later than 10:00 a.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of \$500,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Administrative Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the Company. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Administrative Agent (by telephone

or in writing) that the Administrative Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Administrative Agent (by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Administrative Agent (including at the request of any Lender) prior to 11:00 a.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.4(a), or (B) that one or more of the applicable conditions specified in Article IV is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender may (in its sole and absolute discretion), not later than 12:00 noon on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Company at its office by crediting the account of the Company on the books of the Swing Line Lender in immediately available funds.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Company (which hereby irrevocably authorizes the Swing Line Lender to so request on its behalf), that each Lender make a Base Rate Loan in an amount equal to such Lender's Pro Rata Share of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Revolving Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.2, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Aggregate Commitments and the conditions set forth in Section 4.2. The Swing Line Lender shall furnish the Company with a copy of the applicable Revolving Loan Notice promptly after delivering such notice to the Administrative Agent. Each Lender shall make an amount equal to its Pro Rata Share of the amount specified in such Revolving Loan Notice available to the Administrative Agent in immediately available funds for the account of the Swing Line Lender at the Administrative Agent's Office not later than 10:00 a.m. on the day specified in such Revolving Loan Notice, whereupon, subject to Section 2.4(c)(ii), each Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Company in such amount. The Administrative Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Revolving Borrowing, in accordance with Section 2.4(c)(i), the request for Base Rate Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Lenders fund its risk participation in the relevant Swing Line Loan and each Lender's payment to the Administrative Agent for the account of the Swing Line Lender pursuant to Section 2.4(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Lender fails to make available to the Administrative Agent for the account of the Swing Line Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.4(c) by the time specified in Section 2.4(c)(i), the Swing Line Lender shall be entitled to recover from such Lender

(acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect. A certificate of the Swing Line Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Lender's obligation to make Revolving Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, the Company or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided that each Lender's obligation to make Revolving Loans pursuant to this Section 2.4(c) is subject to the conditions set forth in Section 4.2. No such funding of risk participations shall relieve or otherwise impair the obligation of the Company to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Lender its Pro Rata Share of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.6 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Lender shall pay to the Swing Line Lender its Pro Rata Share thereof on demand of the Administrative Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Administrative Agent will make such demand upon the request of the Swing Line Lender.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Company for interest on the Swing Line Loans. Until each Lender funds its Base Rate Loan or risk participation pursuant to this Section 2.4 to refinance such Lender's Pro Rata Share of any Swing Line Loan, interest in respect of such Pro Rata Share shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Company shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.5 PREPAYMENTS.

(a) The Company may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Revolving Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Administrative Agent not later than 10:00 a.m. (A) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$2,000,000 or a whole multiple of \$1,000,000 in excess thereof; and (iii) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Revolving Loans to be prepaid. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest thereon, together with any additional amounts required pursuant to Section 3.4. Each such prepayment shall be applied to the Revolving Loans of the Lenders in accordance with their respective Pro Rata Shares.

(b) The Company may, upon notice to the Swing Line Lender (with a copy to the Administrative Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Administrative Agent not later than 10:00 a.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of \$100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) If for any reason the Total Outstandings at any time exceed the Aggregate Commitments then in effect, the Company shall immediately prepay Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided that the Company shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.5(c) unless after the prepayment in full of the Revolving Loans and Swing Line Loans the Total Outstandings exceed the Aggregate Commitments then in effect.

2.6 TERMINATION OR REDUCTION OF COMMITMENTS. The Company may, upon notice to the Administrative Agent, terminate the Aggregate Commitments, or from time to time permanently reduce the Aggregate Commitments; provided that (i) any such notice shall be received by the Administrative Agent not later than 10:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of \$10,000,000 or any whole multiple of \$1,000,000 in excess thereof, (iii) the Company shall not terminate or reduce the Aggregate Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Outstandings would exceed the Aggregate Commitments, and (iv) if, after giving effect to any reduction of the Aggregate Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit exceeds the amount of the Aggregate Commitments, such Sublimit shall be automatically reduced by the amount of such excess. The

Administrative Agent will promptly notify the Lenders of any such notice of termination or reduction of the Aggregate Commitments. Any reduction of the Aggregate Commitments shall be applied to the Commitment of each Lender according to its Pro Rata Share. All commitment fees accrued until the effective date of any termination of the Aggregate Commitments shall be paid on the effective date of such termination.

2.7 REPAYMENT OF LOANS.

(a) The Company shall repay to the Lenders on the Maturity Date the aggregate principal amount of Revolving Loans outstanding on such date.

(b) The Company shall repay each Swing Line Loan on the Maturity Date.

2.8 INTEREST.

(a) Subject to the provisions of subsection (b) below, (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate and (iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) If any amount payable by the Company under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Furthermore, upon the request of the Required Lenders while any Event of Default exists, the Company shall pay interest on the principal amount of all outstanding Obligations hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.9 FEES.

In addition to certain fees described in subsections (h) and (i) of Section 2.3:

(a) Commitment Fee. The Company shall pay to the Administrative Agent for the account of each Lender in accordance with its Pro Rata Share, a commitment fee equal to the Applicable Rate times the actual daily amount by which the Aggregate Commitments exceed the sum of (i) the Outstanding Amount of Revolving Loans and (ii) the Outstanding Amount of

L/C Obligations. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the first Business Day of each January, April, July and October, commencing on October 1, 2002, and on the Maturity Date. The commitment fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Rate during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Rate separately for each period during such quarter that such Applicable Rate was in effect.

(b) Other Fees. (i) The Company shall pay to the Arranger and the Administrative Agent for their own respective accounts fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

(ii) The Company shall pay to the Lenders such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 COMPUTATION OF INTEREST AND FEES. All computations of interest for Base Rate Loans when the Base Rate is determined by Bank of America's "prime rate" shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360 day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365 day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day.

2.11 EVIDENCE OF DEBT.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Company and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Company shall execute and deliver to such Lender (through the Administrative Agent) a Note, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) In addition to the accounts and records referred to in subsection (a), each Lender and the Administrative Agent shall maintain in accordance with its usual practice

accounts or records evidencing the purchases and sales by such Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Administrative Agent and the accounts and records of any Lender in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

2.12 PAYMENTS GENERALLY.

(a) All payments to be made by the Company shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Company hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 10:00 a.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 10:00 a.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

(b) If any payment to be made by the Company shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(c) Unless the Company or any Lender has notified the Administrative Agent prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Company or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Company or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Company failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds, at the Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Company to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the Federal Funds Rate from time to time in effect. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Loan included in the applicable Borrowing. If such Lender does not

pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Company, and the Company shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Commitment or to prejudice any rights which the Administrative Agent or the Company may have against any Lender as a result of any default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Company with respect to any amount owing under this subsection (c) shall be conclusive, absent manifest error.

(d) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Company by the Administrative Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(e) The obligations of the Lenders hereunder to make Revolving Loans and to fund participations in Letters of Credit and Swing Line Loans are several and not joint. The failure of any Lender to make any Revolving Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Revolving Loan or purchase its participation.

(f) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 SHARING OF PAYMENTS. If, other than as expressly provided elsewhere herein, any Lender shall obtain on account of the Revolving Loans made by it, or the participations in L/C Obligations or in Swing Line Loans held by it, any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Lenders such participations in the Revolving Loans made by them and/or such subparticipations in the participations in L/C Obligations or Swing Line Loans held by them, as the case may be, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Revolving Loans or such participations, as the case may be, pro rata with each of them; provided that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 10.6 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender

in respect of the total amount so recovered, without further interest thereon. The Company agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to Section 10.9) with respect to such participation as fully as if such Lender were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

3.1 TAXES.

(a) Any and all payments by the Company to or for the account of the Administrative Agent or any Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding, in the case of the Administrative Agent and each Lender, taxes imposed on or measured by its overall net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which the Administrative Agent or such Lender, as the case may be, is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If the Company shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to the Administrative Agent or any Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), each of the Administrative Agent and such Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions, (iii) the Company shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, the Company shall furnish to the Administrative Agent (which shall forward the same to such Lender) the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Company agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If the Company shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to the Administrative

Agent or any Lender, the Company shall also pay to the Administrative Agent or to such Lender, as the case may be, at the time interest is paid, such additional amount that the Administrative Agent or such Lender specifies is necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) that the Administrative Agent or such Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) The Company agrees to indemnify the Administrative Agent and each Lender for (i) the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by the Administrative Agent and such Lender, (ii) amounts payable under Section 3.1(c) and (iii) any liability (including additions to tax, penalties, interest and expenses) arising therefrom or with respect thereto, in each case whether or not such Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. Payment under this subsection (d) shall be made within 30 days after the date the Lender or the Administrative Agent makes a demand therefor.

3.2 ILLEGALITY. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Company through the Administrative Agent, any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Company shall, upon demand from such Lender (with a copy to the Administrative Agent), convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor or on such earlier date as such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such conversion, the Company shall also pay accrued interest on the amount so converted. Thereafter, for so long as such circumstances continue, all Loans which would otherwise be made or maintained by such Lender as Eurodollar Rate Loans shall be Base Rate Loans. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

3.3 INCREASED COST AND REDUCED RETURN; CAPITAL ADEQUACY; RESERVES ON EURODOLLAR RATE LOANS.

(a) If any Lender determines that as a result of the introduction of or any change in or in the interpretation of any Law, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans or issuing or participating in Letters of Credit, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this subsection (a) any such increased costs or such reduction in amount resulting from (i) Taxes or Other Taxes (as to which Section 3.1 shall govern), (ii) changes in the basis of taxation of overall net income or overall gross income by the United States or any foreign jurisdiction or any political subdivision of either thereof under the Laws of

which such Lender is organized or has its Lending Office, and (iii) reserve requirements contemplated by Section 3.3(c)), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Company shall pay to such Lender such additional amounts as will compensate such Lender for such increased cost or such reduction in amount.

(b) If any Lender determines that the introduction of, or any change in or in the interpretation of, or compliance by such Lender (or its Lending Office) with any Law regarding capital adequacy has the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital), then from time to time upon demand of such Lender (with a copy of such demand to the Administrative Agent), the Company shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

(c) The Company shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Company shall have received at least 15 days' prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 15 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 15 days from receipt of such notice.

3.4 FUNDING LOSSES. Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Company shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Eurodollar Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Company (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert into any Eurodollar Rate Loan on the date or in the amount notified by the Company;

including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Company shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Company to the Lenders under this Section 3.4, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank

eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded.

3.5 INABILITY TO DETERMINE RATES. If the Required Lenders determine that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan, or that the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Company and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Company may revoke any pending request for a Borrowing, of conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Revolving Borrowing of Base Rate Loans in the amount specified therein.

3.6 MATTERS APPLICABLE TO ALL REQUESTS FOR COMPENSATION. A certificate of the Administrative Agent or any Lender claiming compensation under this Article III and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Administrative Agent or such Lender may use any reasonable averaging and attribution methods.

3.7 SURVIVAL. All of the Company's obligations under this Article III shall survive termination of the Aggregate Commitments and repayment of all other Obligations hereunder.

ARTICLE IV CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.1 CONDITIONS OF INITIAL CREDIT EXTENSION. The obligation of each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Administrative Agent's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance satisfactory to the Administrative Agent and its legal counsel:

(i) executed counterparts of this Agreement and the Guaranty, sufficient in number for distribution to the Administrative Agent, each Lender and the Company;

(ii) a Note executed by the Company in favor of each Lender requesting a Note;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the

Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a officer in connection with this Agreement and the other Loan Documents to which such Loan Party is a party;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, validly existing and in good standing in the jurisdiction of its organization or formation;

(v) opinions of (x) Orrick, Herrington & Sutcliffe LLP, counsel to the Loan Parties, and (y) Harry H. Kahn, general counsel of the Loan Parties, substantially in the form of Exhibits G and H, respectively;

(vi) a certificate of a Responsible Officer of each Loan Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required;

(vii) a certificate signed by a Responsible Officer of the Company certifying (A) that the conditions specified in Sections 4.2(a) and (b) have been satisfied, (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect and (C) a calculation of the Leverage Ratio as of the last day of the fiscal quarter most recently ended prior to the Closing Date;

(viii) evidence that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated; and

(ix) such other assurances, certificates, documents, consents or opinions as the Administrative Agent, the L/C Issuer, the Swing Line Lender or the Required Lenders reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) Unless waived by the Administrative Agent, the Company shall have paid all Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute the Administrative Agent's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Company and the Administrative Agent).

4.2 CONDITIONS TO ALL CREDIT EXTENSIONS.

The obligation of each Lender to honor any Request for Credit Extension (other than a Revolving Loan Notice requesting only a conversion of Revolving Loans to the other Type or a continuation of Eurodollar Rate Loans) is subject to the following conditions precedent:

(a) The representations and warranties of the Company contained in Article V shall be true and correct on and as of the date of such Credit Extension, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date.

(b) No Default shall exist, or would result from such proposed Credit Extension.

(c) The Administrative Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof.

(d) The Administrative Agent shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as the Administrative Agent or the Required Lenders reasonably may require.

Each Request for Credit Extension (other than a Revolving Loan Notice requesting only a conversion of Revolving Loans to the other Type or a continuation of Eurodollar Rate Loans) submitted by the Company shall be deemed to be a representation and warranty that the conditions specified in Sections 4.2(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension.

ARTICLE V REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Administrative Agent and the Lenders that:

5.1 EXISTENCE, QUALIFICATION AND POWER; COMPLIANCE WITH LAWS. Each Loan Party (a) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own its material assets and carry on its business substantially as now conducted and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, (c) is duly qualified and is licensed and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license, and (d) is in compliance with all Laws; except in each case referred to in clause (b)(i), (c) or (d), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.2 AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party have been duly authorized by all necessary organizational action, and do not and will not (a) contravene the terms of any of such Person's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, (i) any Contractual Obligation to which such Person is a party or (ii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law.

5.3 THIRD PARTY AUTHORIZATION; OTHER CONSENTS. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any

other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of any Loan Document to which it is a party.

5.4 BINDING EFFECT.

This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of each Loan Party that is a party thereto, enforceable against such Loan Party in accordance with its terms.

5.5 LITIGATION. There is no action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or governmental authority that: (a) relates to the legality, validity or enforceability of any provision of any Loan Document or any of the transactions contemplated thereby, the rights or remedies of the Administrative Agent or any Lender thereunder, the legality or propriety of any action taken or proposed to be taken by the Administrative Agent or any Lender in connection therewith, or the power or authority of any Loan Party to perform its obligations thereunder, or (b) if adversely determined, would reasonably be expected to have a material adverse effect on the ability of any Loan Party to perform its obligations under or in connection with any Loan Document.

5.6 NO DEFAULT. Neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.7 ERISA COMPLIANCE.

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other Federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of the Company, nothing has occurred which would prevent, or cause the loss of, such qualification. The Company and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with

respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Company nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Sections 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Company nor any ERISA Affiliate has engaged in a transaction that could be subject to Sections 4069 or 4212(c) of ERISA.

5.8 OWNERSHIP OF PROPERTY; LIENS. Each of the Company and each Subsidiary has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Company and its Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.1.

5.9 TAXES. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

5.10 FINANCIAL STATEMENTS; NO MATERIAL ADVERSE EFFECT.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness, except as set forth on Schedule 5.10.

(b) The unaudited consolidated financial statements of the Company and its Subsidiaries dated April 30, 2002, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal quarter ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end adjustments; and (iii) show all material indebtedness and other liabilities, direct or contingent, of the Company and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness, except as set forth on Schedule 5.10.

(c) Since the date of the Audited Financial Statements, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

5.11 ENVIRONMENTAL COMPLIANCE. The Company monitors in the ordinary course of business the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed on Schedule 5.11, such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.12 INSURANCE. The properties of the Company and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Company, in such amounts(after giving effect to any self-insurance compatible with the following standards), with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Company or the applicable Subsidiary operates.

5.13 SUBSIDIARIES.

As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.13 and has no equity investments in any other Person other than those specifically disclosed in Part(b) of Schedule 5.13.

5.14 MARGIN REGULATIONS; INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT.

(a) The Company is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Company, any Person Controlling the Company, or any Subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

5.15 FULL DISCLOSURE. None of the representations or warranties made by the Company or any Subsidiary in the Loan Documents as of the date such representations and warranties are made or as of the date such representations and warranties are deemed made, and none of the statements contained in any exhibit, written report, written statement or certificate furnished by or on behalf of the Company or any Subsidiary in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Company to the Lenders prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered (it being recognized by the Administrative Agent and the Lenders that all written financial projections with respect to the Company and its Subsidiaries that have been or may hereafter be delivered to the Administrative Agent and the Lenders have been or will be prepared

in good faith based upon assumptions believed by the Company to be reasonable as of the date of the applicable projections).

5.16 COMPLIANCE WITH LAWS. Each of the Company and each Subsidiary is in compliance with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.17 INTELLECTUAL PROPERTY; LICENSES, ETC. The Company and its Subsidiaries own, or possess the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights (collectively, "IP Rights") that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or, to the best knowledge of the Company, threatened, which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

ARTICLE VI AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Company shall, and shall (except in the case of the covenants set forth in Sections 6.1, 6.2, 6.3 and 6.11) cause each Subsidiary to:

6.1 FINANCIAL STATEMENTS. Deliver to the Administrative Agent, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year, a consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with GAAP, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any "going concern" or like qualification or exception or any qualification or exception as to the scope of such audit and which report shall state that such financial statements present fairly the financial position of the Company and its Subsidiaries as of the date and for the period indicated in conformity with GAAP; and

(b) as soon as available, but in any event within 60 days after the end of each of the first three fiscal quarters of each fiscal year, a consolidated balance sheet of the Company

and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal quarter and for the portion of the fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of the Company as fairly presenting the financial condition, results of operations, shareholders' equity and cash flows of the Company and its Subsidiaries in accordance with GAAP, subject only to normal year-end adjustments and the absence of footnotes.

As to any information contained in materials furnished pursuant to Section 6.2(d), the Company shall not be separately required to furnish such information under subsection (a) or (b) above, but the foregoing shall not be in derogation of the obligation of the Company to furnish the information and materials described in subsection (a) and (b) above at the times specified therein.

6.2 CERTIFICATES; OTHER INFORMATION. Deliver to the Administrative Agent and each Lender, in form and detail satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of its independent certified public accountants certifying such financial statements;

(b) concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Company;

(c) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Company by independent accountants in connection with the accounts or books of the Company or any Subsidiary, or any audit of any of them;

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Company, and copies of all annual, regular, periodic and special reports and registration statements which the Company may file or be required to file with the SEC under Section 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to the Administrative Agent pursuant hereto; and

(e) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request.

Documents required to be delivered pursuant to Section 6.1(a) or (b) or Section 6.2(d) (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Company posts such documents, or provides a link thereto, on the Company's

website on the Internet at the website address listed on Schedule 10.2 or (ii) on which such documents are posted on the Company's behalf on IntraLinks/IntraAgency or another relevant website, if any, to which each Lender and the Administrative Agent have access; provided that: (x) the Company shall deliver paper copies of such documents to the Administrative Agent or any Lender that requests the Company to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (y) the Company shall notify (which may be by facsimile or electronic mail) the Administrative Agent and each Lender of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Company shall be required to provide paper copies of the Compliance Certificates required by Section 6.2(b) to the Administrative Agent and each of the Lenders. Except for such Compliance Certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

6.3 NOTICES.

Promptly notify the Administrative Agent and each Lender:

(a) of the occurrence of any Default;

(b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect, including (i) breach or non-performance of, or any default under, a Contractual Obligation of the Company or any Subsidiary; (ii) any dispute, litigation, investigation, proceeding or suspension between the Company or any Subsidiary and any Governmental Authority; or (iii) the commencement of, or any material development in, any litigation or proceeding affecting the Company or any Subsidiary, including pursuant to any applicable Environmental Laws;

(c) of the occurrence of any ERISA Event; and

(d) of any material change in accounting policies or financial reporting practices by the Company or any Subsidiary.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Company setting forth details of the occurrence referred to therein and stating what action the Company has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.3(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.4 PAYMENT OF OBLIGATIONS. Pay and discharge as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness,

as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.5 PRESERVATION OF EXISTENCE, ETC. (a) Preserve, renew and maintain in full force and effect its legal existence and good standing under the Laws of the jurisdiction of its organization, except in a transaction permitted by Section 7.4 or 7.5; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.6 MAINTENANCE OF PROPERTIES. (a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.7 MAINTENANCE OF INSURANCE. Maintain with financially sound and reputable insurance companies not Affiliates of the Company, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts (after giving effect to any self-insurance compatible with the following standards) as are customarily carried under similar circumstances by such other Persons (it being understood that with respect to public liability and property damage coverage and workers' compensation coverage, the Company's self insurance plan as in effect on the date of this Agreement shall be deemed sufficient compliance with this Section).

6.8 COMPLIANCE WITH LAWS. Comply with the requirements of all Laws and all orders, writs, injunctions and decrees (including ERISA and Environmental Laws) applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.9 BOOKS AND RECORDS. Maintain proper books of record and account, in which full, true and correct entries sufficient to prepare financial statements in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company or such Subsidiary, as the case may be.

6.10 INSPECTION RIGHTS. Permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective

representatives or independent contractors) may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

6.11 USE OF PROCEEDS. Use the proceeds of the Credit Extensions for Permitted Acquisitions, working capital and other general corporate purposes not in contravention of any Law or of any Loan Document.

6.12 FURTHER ASSURANCES. Take such actions as are necessary, or as the Administrative Agent (or the Required Lenders acting through the Administrative Agent) may reasonably request from time to time, to ensure that the obligations of the Company hereunder and under the other Loan Documents are guaranteed at all times by Subsidiaries that, together with the Company, collectively (a) own assets which account for 90% or more of the consolidated assets of the Company and its Subsidiaries and (b) generate revenues which account for 90% or more of the consolidated revenues of the Company and its Subsidiaries during the most recently ended period of 12 consecutive months.

ARTICLE VII NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, the Company shall not, nor shall it permit any Subsidiary to, directly or indirectly:

7.1 LIENS. Create, incur, assume or suffer to exist, any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens pursuant to any Loan Document;

(b) Liens existing on the date hereof and listed on Schedule 7.1 and any renewals or extensions thereof; provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.5(b);

(c) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP; provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;

(f) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations and other non-delinquent obligations of a like nature, in each case incurred in the ordinary course of business; provided that all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) customary Liens securing Surety Bonds;

(h) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(i) Liens securing judgments for the payment of money not constituting an Event of Default under Section 8.1(h) or securing appeal or other surety bonds related to such judgments;

(j) Liens securing Indebtedness permitted under Section 7.5(e); provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost or fair market value, whichever is lower, of the property being acquired on the date of acquisition;

(k) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company in excess of those set forth by regulations promulgated by the FRB and (ii) such deposit account is not intended by the Company or any Subsidiary to provide collateral to the depository institution; and

(l) other Liens securing obligations in an aggregate amount not exceeding \$1,000,000 at any time outstanding.

7.2 DISPOSITIONS. Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) subject to Section 6.12, Dispositions of property by the Company to any wholly-owned Subsidiary or by any Subsidiary to the Company or to a wholly-owned Subsidiary;

(e) Dispositions permitted by Section 7.3; and

(f) Dispositions not otherwise permitted hereunder which are made for fair market value; provided that (i) at the time of any such Disposition, no Default shall exist or result from such Disposition, (ii) at least 75% of the aggregate sales price from such Disposition shall be paid in cash and (iii) the aggregate value of all assets so sold by the Company and its Subsidiaries shall not exceed, in any fiscal year, 10% of Consolidated Net Worth as of the end of the preceding fiscal year.

7.3 FUNDAMENTAL CHANGES. Merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Company, provided that the Company shall be the continuing or surviving Person; or (ii) any one or more other Subsidiaries, provided, that when any wholly-owned Subsidiary is merging with another Subsidiary, a wholly-owned Subsidiary shall be the continuing or surviving Person; and

(b) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to another Subsidiary; provided that if the transferor in such a transaction is a wholly-owned Subsidiary, then the transferee must either be the Company or a wholly-owned Subsidiary.

7.4 INVESTMENTS. Make any Investments, except:

(a) Investments in Cash Equivalents;

(b) advances to officers, directors and employees of the Company and Subsidiaries in an aggregate amount not to exceed (i) \$1,000,000 at any time outstanding, for travel, entertainment and analogous ordinary business purposes and (ii) \$10,000,000 at any time outstanding for relocation purposes;

(c) Investments by the Company in any Subsidiary or by any Subsidiary in the Company or another Subsidiary;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(e) Guarantees permitted by Section 7.5;

(f) Investments made to consummate Permitted

Acquisitions;

(g) Investments listed on Schedule 7.4; and

(h) other Investments not exceeding \$10,000,000 in the aggregate at any time outstanding.

7.5 INDEBTEDNESS. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.5 and any refinancings, refundings, renewals or extensions thereof; provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder;

(c) Guarantees of the Company or any Subsidiary in respect of Indebtedness otherwise permitted hereunder of the Company or any wholly-owned Subsidiary;

(d) obligations (contingent or otherwise) of the Company or any Subsidiary existing or arising under any Swap Contract; provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person and not for purposes of speculation or taking a "market view;" and (ii) such Swap Contract does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(e) Indebtedness in respect of capital leases, Synthetic Lease Obligations and purchase money obligations for fixed or capital assets within the limitations set forth in Section 7.1(i); provided that the aggregate amount of all such Indebtedness at any one time outstanding shall not exceed (i) \$15,000,000, in the case of capital leases and Synthetic Lease Obligations (collectively), and (ii) \$5,000,000, in the case of purchase money obligations; and

(f) unsecured Indebtedness in an aggregate principal amount not to exceed at any time outstanding 20% of Consolidated Net Worth as of the end of the preceding fiscal year; provided that the aggregate amount of all such Indebtedness which is not Permitted Long-Term Indebtedness shall not at any time exceed \$20,000,000.

7.6 USE OF PROCEEDS.

Use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose.

7.7 RESTRICTED PAYMENTS. Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to the Company and to wholly-owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to the Company and any Subsidiary and to each other owner of capital stock or other equity interests of such Subsidiary on a pro rata basis based on their relative ownership interests; provided that no Restricted Payment shall be made by a non-wholly-owned Subsidiary which is a Guarantor at any time a Default exists);

(b) the Company and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock or other common equity interests of such Person;

(c) the Company and each Subsidiary may (i) make Permitted Stock Repurchases and (ii) purchase, redeem or otherwise acquire shares of its common stock or other common equity interests or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock or other common equity interests; and

(d) the Company may declare or pay ordinary cash dividends to its stockholders.

7.8 CHANGE IN NATURE OF BUSINESS. Engage in any material line of business substantially different from those lines of business conducted by the Company and its Subsidiaries on the date hereof or any business substantially related or incidental thereto.

7.9 TRANSACTIONS WITH AFFILIATES. Enter into any transaction of any kind with any Affiliate of the Company, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to the Company or such Subsidiary as would be obtainable by the Company or such Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate.

7.10 SUBSIDIARY DIVIDENDS. Enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability of any Subsidiary to make Restricted Payments to the Company or any Guarantor or to otherwise transfer property to the Company or any Guarantor.

7.11 FINANCIAL COVENANTS.

(a) Consolidated Net Worth. Permit Consolidated Net Worth at any time to be less than the sum of (i) \$295,000,000, (ii) an amount equal to 50% of the Consolidated Net Income earned in each full fiscal quarter ending after the Closing Date (with no deduction for a net loss in any such fiscal quarter) and (iii) an amount equal to 100% of the aggregate increases in Shareholders' Equity of the Company and its Subsidiaries after the date hereof by reason of the issuance and sale of capital stock or other equity interests of the Company or any Subsidiary including upon any conversion of debt securities of the Company into such capital stock or other equity interests.

(b) Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio to be less than 1.50 to 1.0 at any time.

(c) Leverage Ratio. Permit the Leverage Ratio as of the end of any fiscal quarter set forth below to be greater than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarters Ending -----	Maximum Leverage Ratio -----
Closing Date through October 30, 2003	2.00 to 1.0
October 31, 2003 and each fiscal quarter thereafter	1.75 to 1.0

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

8.1 EVENTS OF DEFAULT. Any of the following shall constitute an Event of Default:

(a) Non-Payment. The Company or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan or any L/C Obligation, or (ii) within three Business Days after the same becomes due, any interest on any Loan or on any L/C Obligation, or any commitment or other fee due hereunder, or (iii) within five days after the same becomes due, any other amount payable hereunder or under any other Loan Document; or

(b) Representations and Warranties. Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Company or any other Loan Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect or misleading when made or deemed made; or

(c) Specific Covenants. The Company fails to perform or observe any term, covenant or agreement contained in any of Section 6.3(a) or 6.10 or Article VII; provided that, in the case of Section 7.9, such failure shall have continued for five Business Days; or

(d) Other Defaults. Any Loan Party fails to perform or observe any other covenant or agreement (not specified in subsection (a) or (c) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 20 days after the earlier of (i) the date on which a Responsible Officer knew or reasonably should have known of such failure and (ii) the date on which written notice thereof is given by the Administrative Agent or any Lender; or

(e) Cross-Default. (i) The Company or any Subsidiary (A) fails to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness (other than Indebtedness hereunder and Indebtedness under Swap Contracts) or Guarantee (other than any Surety Bond) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more

than \$10,000,000, or (B) fails to observe or perform any other agreement or condition relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Company or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Company or any Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by the Company or such Subsidiary as a result thereof is greater than \$10,000,000; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of \$1,000,000, or (ii) the Company or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of \$1,000,000; or

(h) Inability to Pay Debts; Attachment. (i) The Company or any Subsidiary becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(i) Judgments. There is entered against the Company or any Subsidiary (i) a final judgment or order for the payment of money in an aggregate amount exceeding \$10,000,000 (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material

Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 10 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(j) Change of Control. There occurs any Change of Control with respect to the Company; or

(k) Invalidity of Loan Documents. Any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party contests in any manner the validity or enforceability of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document.

(l) Defaults with respect to Surety Bonds. (i) Any Person issuing Surety Bonds on behalf of the Company or any Subsidiary ceases for any reason to so issue Surety Bonds, the Company or the applicable Subsidiary fails to promptly procure another issuer for Surety Bonds and such cessation and failure could reasonably be expected to have a Material Adverse Effect; or (ii) the Company or any Subsidiary breaches or defaults on one or more contracts for which Surety Bonds have been issued in an aggregate amount of \$10,000,000 or more and the Person or Persons which issued such Surety Bonds either (x) take possession of the work under such bonded contracts and such taking of possession would reasonably be expected to have a Material Adverse Effect or (y) file any Uniform Commercial Code financing statement or similar document to perfect any Lien securing such bonded contracts, unless such filing is terminated within 10 days after such filing is made.

8.2 REMEDIES UPON EVENT OF DEFAULT. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company;

(c) require that the Company Cash Collateralize the L/C Obligations (in an amount equal to the then Outstanding Amount thereof); and

(d) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law;

provided that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Company under the Bankruptcy Code of the United States, the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall

automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Company to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Administrative Agent or any Lender.

ARTICLE IX
ADMINISTRATIVE AGENT

9.1 APPOINTMENT AND AUTHORIZATION OF ADMINISTRATIVE AGENT.

(a) Each Lender hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere herein or in any other Loan Document, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Administrative Agent have or be deemed to have any fiduciary relationship with any Lender or participant, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent. Without limiting the generality of the foregoing sentence, the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

(b) The L/C Issuer shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith and the L/C Issuer shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Article IX and in the definition of "Agent-Related Person" included the L/C Issuer with respect to such acts or omissions, and (ii) as additionally provided herein with respect to the L/C Issuer.

9.2 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel and other consultants or experts concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects in the absence of gross negligence or willful misconduct.

9.3 LIABILITY OF ADMINISTRATIVE AGENT. No Agent-Related Person shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this

Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct in connection with its duties expressly set forth herein), or (b) be responsible in any manner to any Lender or participant for any recital, statement, representation or warranty made by any Loan Party or any officer thereof, contained herein or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Loan Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender or participant to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party or any Affiliate thereof.

9.4 RELIANCE BY ADMINISTRATIVE AGENT.

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, communication, signature, resolution, representation, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, electronic mail message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to any Loan Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under any Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Required Lenders (or such greater number of Lenders as may be expressly required hereby in any instance) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

9.5 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Administrative Agent for the account of the Lenders, unless the Administrative Agent shall have received written notice from a Lender or the Company referring to this Agreement, describing such Default and stating that such notice is a "notice of default." The Administrative Agent will notify the Lenders of its receipt of any such notice. The Administrative Agent shall take such action with respect to such

Default as may be directed by the Required Lenders in accordance with Article VIII; provided that unless and until the Administrative Agent has received any such direction, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable or in the best interest of the Lenders.

9.6 CREDIT DECISION; DISCLOSURE OF INFORMATION BY ADMINISTRATIVE AGENT. Each Lender acknowledges that no Agent-Related Person has made any representation or warranty to it, and that no act by the Administrative Agent hereafter taken, including any consent to and acceptance of any assignment or review of the affairs of any Loan Party or any Affiliate thereof, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender as to any matter, including whether Agent-Related Persons have disclosed material information in their possession. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Loan Parties and their respective Subsidiaries, and all applicable bank or other regulatory Laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company hereunder. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent herein, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any of the Loan Parties or any of their respective Affiliates which may come into the possession of any Agent-Related Person.

9.7 INDEMNIFICATION OF ADMINISTRATIVE AGENT. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of any Loan Party and without limiting the obligation of any Loan Party to do so), pro rata, and hold harmless each Agent-Related Person from and against any and all Indemnified Liabilities incurred by it; provided that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct; provided that no action taken in accordance with the directions of the Required Lenders shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section. Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document

contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive termination of the Aggregate Commitments, the payment of all other Obligations and the resignation of the Administrative Agent.

9.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. Bank of America and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with each of the Loan Parties and their respective Affiliates as though Bank of America were not the Administrative Agent or the L/C Issuer hereunder and without notice to or consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Bank of America or its Affiliates may receive information regarding any Loan Party or its Affiliates (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them. With respect to its Loans, Bank of America shall have the same rights and powers under this Agreement as any other Lender and may exercise such rights and powers as though it were not the Administrative Agent or the L/C Issuer, and the terms "Lender" and "Lenders" include Bank of America in its individual capacity.

9.9 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders; provided that any such resignation by Bank of America shall also constitute its resignation as L/C Issuer and Swing Line Lender. If the Administrative Agent resigns under this Agreement, the Required Lenders shall appoint from among the Lenders a successor administrative agent for the Lenders which successor administrative agent shall be consented to by the Company at all times other than during the existence of an Event of Default (which consent of the Company shall not be unreasonably withheld or delayed). If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and the Company, a successor administrative agent from among the Lenders. Upon the acceptance of its appointment as successor administrative agent hereunder, the Person acting as such successor administrative agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent, L/C Issuer and Swing Line Lender and the respective terms "Administrative Agent," "L/C Issuer" and "Swing Line Lender" shall mean such successor administrative agent, Letter of Credit issuer and swing line lender, and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated and the retiring L/C Issuer's and Swing Line Lender's rights, powers and duties as such shall be terminated, without any other or further act or deed on the part of such retiring L/C Issuer or Swing Line Lender or any other Lender, other than the obligation of the successor L/C Issuer to issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or to make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article IX and Sections 10.4 and 10.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is 30 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become

effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above.

9.10 ADMINISTRATIVE AGENT MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered, by intervention in such proceeding or otherwise

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.3(i) and (j), 2.9 and 10.4) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.9 and 10.4.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.11 GUARANTY MATTERS. The Lenders irrevocably authorize the Administrative Agent to (and the Administrative Agent agrees that, so long as no Default exists or would result therefrom it will upon the request of the Company), release any Guarantor from its obligations under the Guaranty if (i) such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder or (ii) the Company delivers to the Administrative Agent a written request for the release of a Subsidiary from its obligations under the Guaranty; provided that prior to any such release the Administrative Agent shall have received a certificate from a Responsible Officer certifying that (a) the Company will be in compliance with Section 6.12 after giving effect to such release and (b) no Default exists or would result therefrom.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.11.

9.12 OTHER AGENTS. None of the Lenders or other Persons identified on the facing page or signature pages of this Agreement as a "syndication agent" or "documentation agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than, in the case of such Lenders, those applicable to all Lenders as such. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

ARTICLE X
MISCELLANEOUS

10.1 AMENDMENTS, ETC. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Company or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Company or the applicable Loan Party, as the case may be, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no such amendment, waiver or consent shall:

(a) waive any condition set forth in Section 4.1(a) without the written consent of each Lender;

(b) increase or extend the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.2) without the written consent of such Lender;

(c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or L/C Borrowing, or (subject to clause (iv) of the second proviso to this Section 10.1) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided that only the consent of the Required Lenders shall be necessary to waive any obligation of the Company to pay interest at the Default Rate;

(e) change Section 2.13 or Section 8.3 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;

(f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required

to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or

(g) release all or substantially all of the Guarantors from the Guaranty without the written consent of each Lender;

and, provided, further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Letter of Credit Application relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (iv) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

10.2 NOTICES AND OTHER COMMUNICATIONS; FACSIMILE COPIES.

(a) General. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission). All such written notices shall be mailed, faxed or delivered to the applicable address, facsimile number or (subject to subsection (c) below) electronic mail address, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Company, the Administrative Agent, the L/C Issuer or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.2 or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire or to such other address, facsimile number, electronic mail address or telephone number as shall be designated by such party in a notice to the Company, the Administrative Agent, the L/C Issuer and the Swing Line Lender.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto; (B) if delivered by mail, four Business Days after deposit in the mails, postage prepaid; (C) if delivered by facsimile, when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of subsection (c) below), when delivered;

provided that notices and other communications to the Administrative Agent, the L/C Issuer and the Swing Line Lender pursuant to Article II shall not be effective until actually received by such Person. In no event shall a voicemail message be effective as a notice, communication or confirmation hereunder.

(b) Effectiveness of Facsimile Documents and Signatures.

Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed originals and shall be binding on all Loan Parties, the Administrative Agent and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

(c) Limited Use of Electronic Mail. Electronic mail and

Internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Section 6.2, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Reliance by Administrative Agent and Lenders. The

Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Revolving Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Company even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Company shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Company. All telephonic notices to and other communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

10.3 NO WAIVER; CUMULATIVE REMEDIES. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 ATTORNEY COSTS, EXPENSES AND TAXES. The Company agrees (a) to pay or reimburse the Administrative Agent for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of this Agreement and the other Loan Documents and any amendment, waiver, consent or other modification of the provisions hereof and thereof (whether or not the transactions contemplated hereby or thereby are consummated), and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse the Administrative Agent and each Lender for all costs and expenses incurred in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or the other Loan

Documents (including all such costs and expenses incurred during any "workout" or restructuring in respect of the Obligations and during any legal proceeding, including any proceeding under any Debtor Relief Law), including all Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by the Administrative Agent and the cost of independent public accountants and other outside experts retained by the Administrative Agent or any Lender. All amounts due under this Section 10.4 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the termination of the Aggregate Commitments and repayment of all other Obligations.

10.5 INDEMNIFICATION BY THE COMPANY. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify and hold harmless each Agent-Related Person, each Lender and their respective Affiliates, directors, officers, employees, counsel, agents and attorneys-in-fact (collectively the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby, (b) any Commitment, Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (c) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by the Company, any Subsidiary or any other Loan Party, or any Environmental Claim related in any way to the Company, any Subsidiary or any other Loan Party, or (d) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (all the foregoing, collectively, the "Indemnified Liabilities"); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, demands, actions, judgments, suits, costs, expenses or disbursements are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through Intralinks or other similar information transmission systems in connection with this Agreement, nor shall any Indemnitee have any liability for any indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date). All amounts due under this Section 10.5 shall be payable within ten Business Days after demand therefor. The agreements in this Section shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.6 PAYMENTS SET ASIDE. To the extent that any payment by or on behalf of the Company is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of set-off, and such payment or the proceeds of such set-off or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect.

10.7 SUCCESSORS AND ASSIGNS.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) or (i) of this Section, or (iv) to an SPC in accordance with the provisions of subsection (h) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans (including for purposes of this subsection (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that (i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund (as defined in subsection (g) of this Section) with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than \$5,000,000 unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Company otherwise consents (which consent of the Company shall not be unreasonably withheld or delayed); (ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment

assigned, except that this clause (ii) shall not apply to rights in respect of Swing Line Loans; (iii) any assignment of a Commitment must be approved by the Administrative Agent, the L/C Issuer and the Swing Line Lender (which approvals shall not be unreasonably withheld or delayed) unless the Person that is the proposed assignee is itself a Lender (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500. Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.1, 3.3, 3.4, 10.4 or 10.5 with respect to facts and circumstances occurring prior to the effective date of such assignment). Upon request, the Company (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) The Administrative Agent, acting solely for this purpose as an agent of the Company, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Company, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Company or the Administrative Agent, sell participations to any Person (other than a natural person or the Company or any of the Company's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Company, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided

that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.1 that directly affects such Participant. Subject to subsection (e) of this Section, the Company agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2 and 3.3 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.9 as though it were a Lender; provided such Participant agrees to be subject to Section 2.13 as though it were a Lender.

(e) A Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.3 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.1 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Company, to comply with Section 10.13 as though it were a Lender.

(f) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) As used herein, the following terms have the following meanings:

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; (iii) an Approved Fund; and (iv) any other Person (other than a natural person) approved by (x) the Administrative Agent, the L/C Issuer and the Swing Line Lender, and (y) unless an Event of Default has occurred and is continuing, the Company (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Company or any of the Company's Affiliates or Subsidiaries

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"Approved Fund" means any Fund that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company (an "SPC") the option to provide all or any part of any Revolving Loan that such Granting Lender would otherwise be obligated to make pursuant to this Agreement; provided that (i) nothing

herein shall constitute a commitment by any SPC to fund any Revolving Loan, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Revolving Loan, the Granting Lender shall be obligated to make such Revolving Loan pursuant to the terms hereof. Each party hereto hereby agrees that (i) neither the grant to any SPC nor the exercise by any SPC of such option shall increase the costs or expenses or otherwise increase or change the obligations of the Company under this Agreement (including its obligations under Section 3.2), (ii) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender would be liable, and (iii) the Granting Lender shall for all purposes, including the approval of any amendment, waiver or other modification of any provision of any Loan Document, remain the lender of record hereunder. The making of a Revolving Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Revolving Loan were made by such Granting Lender. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior debt of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency, or liquidation proceeding under the laws of the United States or any State thereof. Notwithstanding anything to the contrary contained herein, any SPC may (i) with notice to, but without prior consent of the Company and the Administrative Agent and with the payment of a processing fee of \$3,500, assign all or any portion of its right to receive payment with respect to any Revolving Loan to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Revolving Loans to any rating agency, commercial paper dealer or provider of any surety or Guarantee or credit or liquidity enhancement to such SPC.

(i) Notwithstanding anything to the contrary contained herein, any Lender that is a Fund may create a security interest in all or any portion of the Loans owing to it and the Note, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such Fund as security for such obligations or securities, provided that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this Section 10.7, (i) no such pledge shall release the pledging Lender from any of its obligations under the Loan Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

(j) Notwithstanding anything to the contrary contained herein, if at any time Bank of America assigns all of its Commitment and Loans pursuant to subsection (b) above, Bank of America may, (i) upon 30 days' notice to the Company and the Lenders, resign as L/C Issuer and/or (ii) upon 30 days' notice to the Company, resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Company shall be entitled to appoint from among the Lenders (subject to the consent by the applicable Lender to such appointment) a successor L/C Issuer or Swing Line Lender hereunder; provided that no failure by the Company to appoint any such successor shall affect the resignation of Bank of America as L/C Issuer or Swing Line Lender, as the case may be. If Bank of America resigns as L/C Issuer, it shall retain all the rights and obligations of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Lenders to make Base Rate

Loans or fund risk participations in Unreimbursed Amounts pursuant to Section 2.3(c)). If Bank of America resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.4(c).

10.8 CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent requested by any regulatory authority; (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process; (d) to any other party to this Agreement; (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder; (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any Eligible Assignee of or Participant in, or any prospective Eligible Assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any direct or indirect contractual counterparty or prospective counterparty (or such contractual counterparty's or prospective counterparty's professional advisor) to any credit derivative transaction relating to obligations of the Loan Parties; (g) with the consent of the Company; (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Company; or (i) to the National Association of Insurance Commissioners or any other similar organization. In addition, the Administrative Agent and the Lenders may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry, and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement, the other Loan Documents, the Commitments, and the Credit Extensions. For the purposes of this Section, "Information" means all information received from any Loan Party relating to any Loan Party or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Loan Party; provided that, in the case of information received from a Loan Party after the date hereof, such information is clearly identified in writing at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

10.9 SET-OFF. In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and during the continuance of any Event of Default, each Lender is authorized at any time and from time to time, without prior notice to the Company or any other Loan Party, any such notice being waived by the Company (on its own behalf and on behalf of each Loan Party) to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Lender to or for the credit of the account of the

respective Loan Parties against any and all Obligations owing to such Lender hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not the Administrative Agent or such Lender shall have made demand under this Agreement or any other Loan Document and although such Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or indebtedness. Each Lender agrees promptly to notify the Company and the Administrative Agent after any such set-off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.10 INTEREST RATE LIMITATION. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.11 INTEGRATION. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

10.12 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding.

10.13 TAX FORMS. (a) (i) Each Lender that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code (a "Foreign Lender") shall deliver to the Administrative Agent, prior to receipt of any payment subject to withholding under the Code (or upon accepting an assignment of an interest herein), two duly signed completed copies of either

IRS Form W-8BEN or any successor thereto (relating to such Foreign Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to such Foreign Lender by the Company pursuant to this Agreement) or IRS Form W-8ECI or any successor thereto (relating to all payments to be made to such Foreign Lender by the Company pursuant to this Agreement) or such other evidence satisfactory to the Company and the Administrative Agent that such Foreign Lender is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Code. Hereafter and from time to time, each such Foreign Lender shall (A) promptly submit to the Administrative Agent such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Company and the Administrative Agent of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to such Foreign Lender by the Company pursuant to this Agreement, (B) promptly notify the Administrative Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction, and (C) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Lending Office) to avoid any requirement of applicable Laws that the Company make any deduction or withholding for taxes from amounts payable to such Foreign Lender.

(ii) Each Foreign Lender, to the extent it does not act or ceases to act for its own account with respect to any portion of any sums paid or payable to such Lender under any of the Loan Documents (for example, in the case of a typical participation by such Lender), shall deliver to the Administrative Agent on the date when such Foreign Lender ceases to act for its own account with respect to any portion of any such sums paid or payable, and at such other times as may be necessary in the determination of the Administrative Agent (in the reasonable exercise of its discretion), (A) two duly signed completed copies of the forms or statements required to be provided by such Lender as set forth above, to establish the portion of any such sums paid or payable with respect to which such Lender acts for its own account that is not subject to U.S. withholding tax, and (B) two duly signed completed copies of IRS Form W-8IMY (or any successor thereto), together with any information such Lender chooses to transmit with such form, and any other certificate or statement of exemption required under the Code, to establish that such Lender is not acting for its own account with respect to a portion of any such sums payable to such Lender.

(iii) The Company shall not be required to pay any additional amount to any Foreign Lender under Section 3.1 (A) with respect to any Taxes required to be deducted or withheld on the basis of the information, certificates or statements of exemption such Lender transmits with an IRS Form W-8IMY pursuant to this Section 10.13(a) or (B) if such Lender shall have failed to satisfy the foregoing provisions of this Section 10.13(a); provided that if such Lender shall have satisfied the requirement of this Section 10.13(a) on the date such Lender became a Lender or ceased to act for its own account with respect to any payment under any of the Loan Documents, nothing in this Section 10.13(a) shall relieve the Company of its obligation to pay any amounts pursuant to Section 3.1 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or

other evidence at a subsequent date establishing the fact that such Lender or other Person for the account of which such Lender receives any sums payable under any of the Loan Documents is not subject to withholding or is subject to withholding at a reduced rate.

(iv) The Administrative Agent may, without reduction, withhold any Taxes required to be deducted and withheld from any payment under any of the Loan Documents with respect to which the Company is not required to pay additional amounts under this Section 10.13(a).

(b) Upon the request of the Administrative Agent, each Lender that is a "United States person" within the meaning of Section 7701(a)(30) of the Code shall deliver to the Administrative Agent two duly signed completed copies of IRS Form W-9. If such Lender fails to deliver such forms, then the Administrative Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable back-up withholding tax imposed by the Code, without reduction.

(c) If any Governmental Authority asserts that the Administrative Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Administrative Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Administrative Agent under this Section, and costs and expenses (including Attorney Costs) of the Administrative Agent. The obligation of the Lenders under this Section shall survive the termination of the Aggregate Commitments, repayment of all other Obligations hereunder and the resignation of the Administrative Agent.

10.14 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.15 SEVERABILITY. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.16 AUTOMATIC DEBITS OF FEES. With respect to any interest, commitment fee, letter of credit fee or other fee due and payable to the Administrative Agent, the LC Issuer, the Swing Line Lender, Bank of America or the Arranger under the Loan Documents, the Company hereby irrevocably authorizes Bank of America to debit any deposit account of the Company with Bank of America in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the interest or fees then due, such debits will be reversed (in whole or in part, in Bank of America's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

10.17 GOVERNING LAW.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT THE ADMINISTRATIVE AGENT AND EACH LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA SITTING IN SAN FRANCISCO OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO. THE COMPANY, THE ADMINISTRATIVE AGENT AND EACH LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

10.18 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

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

ABM INDUSTRIES INCORPORATED

By: /s/ George B. Sundby

Name: George B. Sundby

Title: Senior Vice President, Chief
Financial officer & Treasurer

S-1

BANK OF AMERICA, N.A., as
Administrative Agent

By: /s/ Ken Pure

Name: Ken Pure

Title: Vice President

S-2

BANK OF AMERICA, N.A., as a Lender, L/C
Issuer and Swing Line Lender

By: /s/ Lisa M. Thomas

Name: Lisa M. Thomas

Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION, as
Documentation Agent and as a Lender

By: /s/ Douglas A. Rich

Name: DOUGLAS A. RICH

Title: VICE PRESIDENT

S-4

KEYBANK NATIONAL ASSOCIATION, as
Syndication Agent and as a Lender

By: /s/ Michael J. Vegh

Name: Michael J. Vegh

Title: Portfolio Manager

S-5

WACHOVIA BANK, NATIONAL
ASSOCIATION, as a Lender

By: /s/ Bradford L. Watkins

Name: Bradford L. Watkins

Title: Director

S-6

THE BANK OF NEW YORK, as a Lender

By: /s/ Elizabeth T. Ying

Name: Elizabeth T. Ying

Title: Vice President

S-7

COMERICA BANK, as a Lender

By: /s/ John Bonifacio

Name: John Bonifacio

Title: Vice President

S-8

EXISTING LETTERS OF CREDIT

S-1

SCHEDULE 2.1

COMMITMENTS
AND PRO RATA SHARES

LENDER	COMMITMENT	PRO RATA SHARE
Bank of America, N.A.	\$ 50,000,000	33.333333335%
U.S. Bank National Association	\$ 23,000,000	15.333333333%
KeyBank National Association	\$ 23,000,000	15.333333333%
Wachovia Corporation	\$ 23,000,000	15.333333333%
The Bank of New York	\$ 15,500,000	10.333333333%
Comerica Bank	\$ 15,500,000	10.333333333%
TOTAL	\$150,000,000	100.000000000%

ENVIRONMENTAL MATTERS

SUBSIDIARIES
AND OTHER EQUITY INVESTMENTS

Part (a). Subsidiaries.

Part (b). Other Equity Investments.

EXISTING LIENS

EXISTING INVESTMENTS

EXISTING INDEBTEDNESS

EURODOLLAR AND DOMESTIC LENDING OFFICES,
ADDRESSES FOR NOTICES

ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111-1428
Attn: George B. Sundby
Senior Vice President and Chief Financial Officer
Telephone: 415-733-4018
Facsimile: 415-733-5123
Electronic Mail: gsundby@abm.com

With a copy to:
ABM Industries Incorporated
160 Pacific Avenue, Suite 222
San Francisco, CA 94111-1428
Attn: General Counsel
Telephone: 415-733-4034
Facsimile: 415-733-7333

BANK OF AMERICA
Administrative Agent's Office and Bank of America's Lending Office
(for payments and Requests for Credit Extensions):
Bank of America, N.A.
Commercial Agency Management
800 Fifth Avenue, Floor 37
Mail Code: WA1-501-37-20
Seattle, WA 98104
Attn: Ken Puro
Telephone: 206-358-0138
Facsimile: 206-358-0971
Email: ken.puro@bankofamerica.com

L/C Issuer:

Bank of America, N.A.
Trade Operations-Los Angeles #22621
333 S. Beaudry Avenue, 19th Floor
Mail Code: CA9-703-19-23
Los Angeles, CA 90017-1466
Attn: Sandra Leon
Telephone: 213-345-5231
Facsimile: 213-345-6694
Email: Sandra.Leon@bankofamerica.com

Other Notices as a Lender:

Bank of America, N.A.
345 Montgomery Street
San Francisco, CA 94104
Attn: Lisa M. Thomas
Telephone: 415-953-1069
Facsimile: 415-622-1878
Email: lisa.thomas@bankofamerica.com

U.S. BANK NATIONAL ASSOCIATION
Requests for Credit Extensions:

U.S. Bank National Association
555 S.W. Oak Street, PL-7
Portland, OR 97204
Attn: Lennie Regalado
Telephone: 503-275-4560
Facsimile: 503-275-4600
Email: lennie.regalado@usbank.com
Account No. 00340012160600
Ref: ABM Industries
ABA# 123-000-220

Notices (other than Requests for Credit Extensions):

U.S. Bank National Association
555 S.W. Oak Street, Suite 400
Portland, OR 97204
Attn: Douglas A. Rich
Telephone: 503-275-6738
Facsimile: 503-275-5428
Email: douglas.rich@usbank.com

KEYBANK NATIONAL ASSOCIATION
Requests for Credit Extensions:

KeyBank National Association
Western Loan Services
Specialty Services
431 E. Parkcenter Boulevard
Boise, ID 83706
Telephone: 800-297-5518
Facsimile: 800-297-5495
Account No. 3072
Ref: Specialty Team
ABA# 125000574

Notices (other than Requests for Credit Extensions):

KeyBank National Association
601 108th Avenue NE
5th Floor
Mailcode: WA-31-18-0512
Bellevue, WA 98009
Attn: Michael J. Vegh
Telephone: 425-709-4578
Facsimile: 425-709-4587
Email: Michael.J.Vegh@keybank.com

WACHOVIA BANK, NATIONAL ASSOCIATION
Requests for Credit Extensions:

Wachovia Corporation
201 South College Street
Charlotte, NC 28288
Attn: LeKeisha Neely
Telephone: 704-374-6145
Facsimile: 704-374-2802
Email: lekeisha.neely@wachovia.com
Account No. 145916-8104011
Ref: ABM Industries, Inc.
ABA# 053000219

Notices (other than Requests for Credit Extensions):

Wachovia Bank, National Association
One Wachovia Center
301 South College Street
NC0760 - 5th Floor
Charlotte, NC 28288
Attn: Andy Phelps
Telephone: 704-383-7238
Facsimile: 704-374-4793
Email: andy.phelps@wachovia.com

THE BANK OF NEW YORK
Requests for Credit Extensions:

The Bank of New York
One Wall Street, 22nd Floor
New York, NY 10005
Attn: Dawn Hertling

Telephone: 212-635-6742
Facsimile: 212-635-6399/6877
Account No. GLA111556
Ref: ABM Industries, Inc.
ABA# 021000018

Notices (other than Requests for Credit Extensions):

The Bank of New York
10990 Wilshire Boulevard
Suite 1125
Los Angeles, CA 90024
Attn: Elizabeth T. Ying
Telephone: 310-996-8661
Facsimile: 310-996-8667

COMERICA BANK
Requests for Credit Extensions:

Comerica Bank
3980 Howard Hughes Parkway
Suite 350
Las Vegas, NV 89109
Attn: Regina C. McGuire
Telephone: 702-791-4804
Facsimile: 702-791-2371
Email: regina_c_mcguire@comerica.com
Account No. 21585-90010
Ref: ABM Industries, Inc.
ABA# 072000096

Notices (other than Requests for Credit Extensions):

Comerica Bank
1920 Main Street
Suite 1150
Irvine, CA 92614
Attn: John D. Bonifacio
Telephone: 949-798-7243
Facsimile: 949-476-1222
Email: john_d_bonifacio@comerica.com

FORM OF REVOLVING LOAN NOTICE

Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of June 28, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined) among ABM Industries Incorporated, a Delaware corporation (the "Company"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests (select one):

A Borrowing of Revolving Loans A conversion or continuation of Loans

- 1. On _____ (a Business Day).
- 2. In the amount of \$_____.
- 3. Comprised of _____.

[Type of Revolving Loan requested]

- 4. For Eurodollar Rate Loans: with an Interest Period of _____ months.

[The Revolving Borrowing requested herein complies with the proviso to the first sentence of Section 2.1 of the Agreement.]

ABM INDUSTRIES INCORPORATED

By: _____

Name: _____

Title: _____

FORM OF SWING LINE LOAN NOTICE

EXHIBIT B

Date: _____, _____

To: Bank of America, N.A., as Swing Line Lender
Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of June 28, 2002 amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned hereby requests a Swing Line Loan:

1. On _____ (a Business Day).
2. In the amount of \$_____.

The Swing Line Borrowing requested herein complies with the requirements of the provisos to the first sentence of Section 2.4(a) of the Agreement.

ABM INDUSTRIES INCORPORATED

By: _____

Name: _____

Title: _____

Form of Swing Line Loan Notice

FORM OF NOTE

FOR VALUE RECEIVED, the undersigned (the "Company"), hereby promises to pay to the order of _____ (the "Lender"), on the Maturity Date (as defined in the Credit Agreement referred to below) the principal amount of all Revolving Loans (as defined in such Credit Agreement) made by the Lender to the Company under the Credit Agreement dated as of June 28, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" terms defined therein being used herein as therein defined) among the Company, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The Company promises to pay interest on the unpaid principal amount of each Revolving Loan from the date of such Revolving Loan until such principal amount is paid in full, at such interest rates and at such times as are specified in the Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is one of the Notes referred to in the Agreement, is entitled to the benefits thereof and is subject to prepayment in whole or in part as provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence of one or more of the Events of Default specified in the Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Agreement. Revolving Loans made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Revolving Loans and payments with respect thereto.

The Company, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Form of Note

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

ABM INDUSTRIES INCORPORATED

By: _____

Name: _____

Title: _____

Form of Note

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FORM OF COMPLIANCE CERTIFICATE

Financial Statement Date: _____,

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of June 28, 2002 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Company, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Company, and that:

[Use following for fiscal year-end financial statements]

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.1(a) of the Agreement for the fiscal year ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following for fiscal quarter-end financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.1(b) of the Agreement for the fiscal quarter ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Company and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Company during the accounting period covered by the attached financial statements.

3. A review of the activities of the Company during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Company performed and observed all its Obligations under the Loan Documents, and

[SELECT ONE:]

[TO THE BEST KNOWLEDGE OF THE UNDERSIGNED DURING SUCH FISCAL PERIOD, THE COMPANY PERFORMED AND OBSERVED EACH COVENANT AND CONDITION OF THE LOAN DOCUMENTS APPLICABLE TO IT.]

--OR--

[THE FOLLOWING COVENANTS OR CONDITIONS HAVE NOT BEEN PERFORMED OR OBSERVED AND THE FOLLOWING IS A LIST OF EACH SUCH DEFAULT OR EVENT OF DEFAULT AND ITS NATURE AND STATUS:]

4. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of _____, _____.

ABM INDUSTRIES INCORPORATED

By: _____

Name: _____

Title: _____

Form of Compliance Certificate

D-2

For the Quarter/Year ended _____("Statement Date")

Form of Compliance Certificate

D-3

SCHEDULE 2
to the Compliance Certificate
(\$ in 000's)

DATE: _____
FOR THE FISCAL QUARTER / YEAR
ENDED: _____

SECTION 7.11(A) CONSOLIDATED NET WORTH

NET WORTH		
Total Consolidated Assets:		\$ -

minus		
Total Consolidated Liabilities:		\$ -

equals		\$ -
		=====
MINIMUM REQUIRED		
the sum of -		
Base Amount:		\$295,000

plus		
0.50 times quarterly Net Income earned		
after April 30, 2002 (without deductions for losses)		\$ -

plus		
Increases in Shareholders' Equity after Closing Date		
resulting from the issuance and sale of capital		
stock or other equity interests of the Company or		
any Subsidiary (including upon any conversion of		
debt securities)		\$ -

EQUALS		\$ -
		=====

SECTION 7.11(B) FIXED CHARGE COVERAGE RATIO

Adjusted Consolidated EBITDAR (rolling four quarter basis)		
Net Income:		\$ -

plus		
Extraordinary/non-cash/non-recurring loss:		\$ -

minus		
Extraordinary/non-recurring gain:		\$ -

plus		
Consolidated Interest Charges:		\$ -

plus		
Federal/state/local/foreign income taxes:		\$ -

plus		
Depreciation & Amortization:		\$ -

Adjusted Consolidated EBITDA		\$ -

(pro forma for qualified Acquisitons/Dispositions)		
plus		
Rent Expense:		\$ -

TOTAL:		\$ -

divided by		

Form of Compliance Certificate

Consolidated Interest Charges	\$ -
plus	
Rent Expense	\$ -
plus	
Scheduled principal payments of long-term Indebtedness	\$ -
TOTAL:	\$ -
EQUALS (EXPRESSED AS A RATIO)	TO 1.00
MINIMUM REQUIRED:	1.50 TO 1.00

SECTION 7.11(C) LEVERAGE RATIO

FUNDED INDEBTEDNESS	
Indebtedness Outstanding:	\$ -
less	
Contingent obligations under commercial letters	\$ -
of credit and Guarantees	
less	
Obligations under Swap Contracts	\$ -
less	
Intercompany Indebtedness	\$ -
TOTAL:	\$ -
Adjusted Consolidated EBITDA	\$ -
EQUALS (EXPRESSED AS A RATIO)	TO 1.00
MAXIMUM ALLOWED:	2.00 TO 1.00

Form of Compliance Certificate

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (this "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including, without limitation, Letters of Credit and Swing Line Loans included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including, without limitation, contract claims, tort claims, malpractice claims and all other claims at law or in equity, including claims under any law governing the purchase and sale of securities or governing indentures pursuant to which securities are issued), suits, causes of action and any other right of the Assignor against any other Person) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____ [and is an
Affiliate/Approved Fund of [identify Lender](1)]
3. Company: ABM Industries Incorporated
4. Administrative Agent: Bank of America, N.A., as the administrative
agent under the Credit Agreement
5. Credit Agreement: The Credit Agreement, dated as of June 28, 2002
among ABM Industries Incorporated, the Lenders
parties thereto, and Bank of America, N.A., as
Administrative Agent

(1) Select as applicable.

6. Assigned Interest:

Facility Assigned -----	Aggregate Amount of Commitment/Loans for all Lenders* -----	Amount of Commitment/Loans Assigned* -----	Percentage Assigned of Commitment/Loans(2) -----
_____ (3)	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %

[7. Trade Date: _____](4)

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(1) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

(2) Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment", "Term Loan Commitment", etc.).

(3) To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Form of Assignment and Assumption

Consented to and Accepted:

BANK OF AMERICA, N.A., as
Administrative Agent

By: _____
Title:

[Consented to:](5)
ABM INDUSTRIES INCORPORATED

By: _____
Title:

- - - - -
(5) To be added only if the consent of the Company and/or other parties
(e.g. Swing Line Lender, L/C Issuer) is required by the terms of the Credit
Agreement.

Form of Assignment and Assumption

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section ___ thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

1.3 Assignee's Address for Notices, etc. Attached hereto as Schedule 1 is all contact information, address, account and other administrative information relating to the Assignee.

Form of Assignment and Assumption

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to or on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of California.

Form of Assignment and Assumption

SCHEDULE 1 TO ASSIGNMENT AND ASSUMPTION

ADMINISTRATIVE DETAILS

(Assignee to list names of credit contacts, addresses, phone and facsimile numbers, electronic mail addresses and account and payment information)

Form of Assignment and Assumption

FORM OF GUARANTY

AGREEMENT

THIS AGREEMENT (this "Agreement") is made between Martinn H. Mandles ("Mr. Mandles") and ABM Industries Incorporated, a Delaware corporation, ("ABM"), for itself and on behalf of its subsidiary corporations, and shall become effective upon the Effective Date set forth in Section 22.

RECITALS

WHEREAS, Mr. Mandles previously was a full-time employee and officer employed by ABM, and previously was and currently is a director of ABM. Chairman of the Board of ABM, and a voting member of the Executive Committee of the Board of Directors of ABM (the "Board");

WHEREAS, at a meeting of the Board held on July 24,2002, the Board approved an immediate internal reorganization of ABM which included, among other things, the reorganization and reassignment of the functions performed by or reporting to the Chief Administrative Officer ("CAO") of ABM (the "Reorganization");

WHEREAS, prior to the Reorganization, Mr. Mandles was serving in the capacity of CAO and the reorganized ABM governance structure no longer includes the position of CAO; and

WHEREAS, ABM recognizes Mr. Mandles' many contributions to ABM and desires to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants and representations set forth below and other good and valuable consideration, the parties agree as follows:

1. Change in Status; Continuing Service; Offices.

(a) Mr. Mandles acknowledges the elimination of the position of CAO and, effective as of the Effective Date, he hereby agrees to a change in status for all of his positions as an officer and full-time employee of ABM as set forth in this Agreement. Mr. Mandles further agrees, no later than the Effective Date, to resign all directorships and offices that he holds with respect to any subsidiary corporation of ABM.

(b) Mr. Mandles and ABM hereby acknowledge and agree that the Executive Employment Agreement dated November 1,1991, between Mr. Mandles and ABM, and all amendments to such employment agreement, including, but not limited to, the Amendment of Employment Agreement, dated November 1,1993; the Second Amendment of Corporate Executive Employment Agreement, dated November 14,1994; the Third Amendment of Corporate Executive Employment Agreement, dated October 14, 1996; the Fourth Amendment of Corporate Executive Employment Agreement, dated December 16,1997; and the Fifth Amendment of Division Executive Employment Agreement, dated June 30,1998; (such

Executive Employment Agreement, as amended through the Effective Date, the "Employment Agreement"), are hereby terminated and of no force and effect.

(c) During Mr. Mandles current term as a duly-elected member of the Board of ABM, and thereafter subject to Mr. Mandles being re-elected to the Board by ABM's stockholders, Mr. Mandles agrees to continue to serve as ABM's non-executive Chairman of the Board and as a voting member of the Executive Committee of the Board, provided that such service as non-executive Chairman of the Board and/or as a voting member of the Executive Committee of the Board shall be at the pleasure of the Board. In connection with his continuing service as a director of ABM, as the non-executive Chairman of the Board, and as a voting member of the Executive Committee of the Board, Mr. Mandles will spend an amount of time on these activities similar to the amount of time directors of companies whose securities are listed on the New York Stock Exchange generally devote to such activities. Mr. Mandles may voluntarily resign from such positions with ABM only upon thirty days prior written notice to ABM.

(d) As an employee, Mr. Mandles shall continue to be based at ABM's Century City, California office through December 31,2002, and ABM shall continue to provide Mr. Mandles with an administrative assistant at that office through such date. From the Effective Date through November 1,2004, headquarters office space in San Francisco. California shall be made available to Mr. Mandles for his use in connection with ABM business.

2. Employment After Effective Date.

(a) From the Effective Date through November 1,2004, Mr. Mandles shall remain an employee of ABM rendering sales, marketing and related services. From the Effective Date through December 31,2002, Mr. Mandles shall render such services to ABM at not less than 30 hours per week (subject to exceptions for vacation, sick leave and holiday time). From January 1, 2003 through November 1, 2004, Mr. Mandles shall make himself available to provide such services to ABM on an on-call basis. From and after the Effective Date, Mr. Mandles shall perform such responsibilities as may be assigned to him from time to time by the President and Chief Executive Officer of ABM ("CEO"). It is expected that Mr. Mandles will not perform any day-to-day management functions. Unless earlier terminated in accordance with this Agreement, Mr. Mandles shall automatically, and without any further action on the part of either party hereto, cease to be an employee of ABM, at 11:59 p.m. PST on November 1, 2004.

(b) Mr. Mandles agrees that from the Effective Date through November 1, 2004, he shall make every effort to be reasonably available to provide the services outlined in this Section 2, except that failure to render such services by reason of any physical or mental illness or disability, or temporary unavailability because of absence from the State of California, shall not affect Mr. Mandles' right to receive the compensation set forth in Section 3.

(c) At any time during this Agreement, ABM shall have the right to terminate Mr. Mandles' employment hereunder pursuant to a good faith determination by a majority of the Board of "Just Cause." "Just Cause" includes but is not limited to any theft or other dishonesty, or any material: (i) neglect of full-time or part-time employment duties, as applicable, (ii) inability or unwillingness to perform full-time or part-time employment duties as

applicable, (iii) insubordination, (iv) abuse of alcohol or other drugs, (v) breach of this Agreement; (vi) other misconduct, unethical or unlawful activity, or (vii) other conduct that is harmful to ABM.

(d) Mr. Mandles shall return to ABM the American Express credit card issued to ABM in Mr. Mandles' name by the Effective Date, and he shall no longer utilize such credit card; provided, however, that Mr. Mandles shall have until thirty days after the Effective Date to terminate any recurring expenses charged to such credit card prior to the Effective Date. On October 31, 2003, or such earlier date that Mr. Mandles ceases to be an employee of ABM, Mr. Mandles shall return to ABM and no longer utilize his ABM gasoline card, his ABM telephone calling card and cellular telephone provided to him by ABM.

3. Payment of Good and Valuable Consideration. In consideration of Mr. Mandles' acceptance of this Agreement and the releases contained and described herein, and conditioned on Mr. Mandles' continuing employment and compliance with this Agreement, ABM will provide the following:

(a) From the Effective Date through November 1, 2002, Mr. Mandles shall be paid an annualized salary ("Salary") of Four Hundred Forty Five Thousand Two Hundred Thirty Two Dollars (\$445,232) per year, payable semi-monthly at the rate of \$37,102.67 per month. The amount of Salary shall be adjusted on November 1, 2002 to reflect the percentage increase, if any, in the World@Work (formerly American Compensation Association) Index ("W@W Index") for the Western Region, subject to a maximum annual increase of six percent (6%). This adjustment, if any, shall be based upon the projected W@W Index for the W@W fiscal year ending on the June 30th immediately preceding the effective dates of the annual increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary unless ABM's net income per diluted share ("EPS") for fiscal year ending October 31, 2002 is equal to or greater than ABM's EPS for ABM's fiscal year ending October 31, 2001. There shall be no downward adjustment in Salary in the event the W@W Index shows a decrease from W@W's prior fiscal year. There shall be no increase in Salary after November 1, 2002 under this Agreement.

(b) Subject to proration in the event of modification or termination of employment hereunder, Mr. Mandles shall be paid an annual bonus ("Bonus") based on the profit ("Profit") for the fiscal year ending October 31, 2002, and the fiscal year ending October 31, 2003, as described in subsections (i) through (vii) below. Nothing contained in this Agreement shall entitle Executive to receive a Bonus or other incentive or contingent compensation from ABM based on any sales or profits made (including but not limited to any WTC Related Gain or WTC Related Carry-Over Gain realized or recognized) by ABM after October 31, 2003 (or such earlier date that Mr. Mandles ceases to be an employee of ABM).

(i) Subject to the maximum Bonus payable under Section 3(b)(iv), such Bonus for each such fiscal year shall be 0.2436% of ABM's Profit on a pro-rata basis (provided, however, that any such proration for the fiscal year ending October 31, 2002, shall commence on November 1, 2001).

(ii) Profit for purposes of determining such Bonus shall be defined as the consolidated income (in accordance with generally accepted accounting principles) before income taxes of ABM, excluding: (1) 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 ABM, (2) gains or losses on the discontinuation of any business unit of ABM, (3) the discretionary portion of any contributions made to any profit sharing, employee retirement savings or similar plan, and (4) WTC Related Gain. At any time, the Board reserves the right to further adjust Profit for purposes of determining a 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 ABM, including 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 ("SEC"), and/or the New York Stock Exchange. In addition, Profit shall be subject to such other adjustments as are made to the "Profit" used in calculating Bonus generally for the other senior executives of ABM.

(iii) Notwithstanding the foregoing, Profit for purposes of determining the Bonus in any such fiscal year shall include WTC Related Gain and WTC Related Carry-Over Gain in an aggregate amount not to exceed a maximum of \$10 million. For purposes of this Agreement, the term "WTC Related Gain" shall mean the total amount of all items of income included in ABM's audited consolidated financial statements for any fiscal year that result from ABM's receipt of insurance proceeds or other compensation or damages due to ABM'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 Bonus for a prior fiscal year. Lastly, for purposes of this Agreement, the term "Significant Transaction" shall mean ABM's acquisition or disposition of a business or assets which ABM is required to report under Item 2 of SEC Form 8-K.

(iv) Mr. Mandles' maximum Bonus for each fiscal year shall be one-hundred percent (100%) of the Salary for such fiscal year set forth in this Agreement.

(v) The Chief Financial Officer for ABM shall calculate the Profit and Bonus for purposes of this Agreement. ABM shall pay Mr. Mandles the Bonus for the fiscal year following completion of the audit of ABM's financial statements, but no later than seventy-five(75) days after the end of such fiscal year. ABM in its sole discretion may pay any Bonus earlier. The Bonus for any partial fiscal year shall be prorated for the fraction of the fiscal year for which such Bonus is payable. Absent bad faith or material error, any conclusions of the Board with respect to the amounts of the Profit or Bonus shall be final and binding upon Mr. Mandles and ABM.

(vi) Notwithstanding the foregoing, no Bonus for any fiscal year of ABM shall be payable unless ABM's Earnings Per Share ("EPS") for the fiscal year then ending is equal to or greater than eighty percent(80%) of ABM's EPS for the previous fiscal year of ABM.

(vii) Mr. Mandles acknowledges receipt of a Bonus for the fiscal year ended October 31, 2001, and agrees that he is not entitled to any further bonus for that fiscal year, for any reason whatsoever.

(viii) Mr. Mandles shall receive a payment of \$25,000 (less applicable withholding) on the Effective Date. Mr. Mandles shall receive an additional payment of \$5,000 (less applicable withholding) on the effective date of the release of claims to be executed and delivered to ABM by Mr. Mandles pursuant to Section 12(d).

(c) Subject to the requirements of applicable laws and the terms, conditions and exclusions of the specific fringe benefit plans or arrangements and ABM policies as each may be amended from time to time:

(i) from the Effective Date through October 31, 2003, Mr. Mandles shall receive the then current fringe benefits (which ABM reserves the right to add, increase, reduce or eliminate at any time, but no such benefit or benefits shall be reduced or eliminated as to Mr. Mandles unless generally reduced or eliminated as to senior executives of ABM) generally provided by ABM to all of its senior executives, except:

(1) Equity. Mr. Mandles understands and acknowledges that he shall not receive any stock option grants or other equity compensation after July 24, 2002 (although Mr. Mandles may continue to invest his Salary and Bonuses paid hereunder subject to the then current terms of ABM's Employee Stock Purchase Plan). Mr. Mandles' existing stock options shall continue to be governed by the applicable stock option agreements and option plans;

(2) Retirement. Mr. Mandles shall not be entitled to accrue any further retirement benefits other than those (i) already vested in the ABM Service Award Benefit Plan, Supplemental Executive Retirement Plan and the Retiree Life Insurance Plan, or (ii) already vested or vesting in the ABM 401(k) Employee Savings Plan;

(3) Vacation. Mr. Mandles shall not accrue any additional vacation time after the Effective Date;

(4) Disability/Sick Leave/Life Insurance. Mr. Mandles shall not receive any long-term or short-term disability or sick leave after the Effective Date. During the time period that Mr. Mandles is rendering services of at least 30 hours per week (as described in Section 2(a)), Mr. Mandles shall continue to receive the same amount of life insurance, accidental death and dismemberment ("AD&D") and business travel accident ("BTA") insurance benefits that he was receiving immediately prior to the Effective Date. After December 31, 2002, or such earlier date that Mr. Mandles ceases to provide weekly services of at least 30 hours as an employee of ABM, Mr. Mandles shall no longer receive any AD&D or BTA insurance benefits, however ABM will provide for a conversion of the group life insurance policy to an individual life insurance policy for Mr. Mandles that excludes AD&D and BTA benefits. ABM will pay the premiums for such converted individual life insurance policy for coverage through November 1, 2004, or such earlier date that Mr. Mandles ceases to be an employee of ABM; and

(5) Health Insurance. Mr. Mandles shall be eligible for group health coverage to the same extent and on the same terms as a full-time senior executive of ABM provided Mr. Mandles continues to pay the employee portion of the premiums due for such coverage. For purposes of Sections 3(c)(i)(5), 3(c)(ii)(3) and 3(c)(iii)(7), references to "Mr. Mandles" with respect to providing group health coverage shall be deemed to include Mr. Mandles and his dependent(s), if any, who are eligible for dependent coverage under ABM's group health insurance plan and group health contracts. ABM shall use commercially reasonable efforts to continue Mr. Mandles' group health coverage as an employee under its group health contracts. In the event Mr. Mandles ceases to be eligible for group health coverage during his employment under ABM's then existing group health insurance plan or group health contracts, Mr. Mandles may exercise his rights under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA"), to continue his group health coverage. ABM will pay the cost of such COBRA continuation coverage (provided that Mr. Mandles shall pay the applicable employee share for such continuation coverage) until the earlier of the expiration date for the maximum required period for COBRA continuation coverage specified in Section 54.4980B-7 of the Internal Revenue Service's Treasury Regulations (the "Maximum Required Continuation Period") or the date on which Mr. Mandles ceases to be an employee of ABM. Nothing in this Section 3(c)(i)(5) is intended to limit or restrict Mr. Mandles' dependents from exercising any independent rights they may have under COBRA or comparable state law.

(ii) From November 1, 2003 until the date that Mr. Mandles ceases to be an employee of ABM, Mr. Mandles shall receive only the following then current fringe benefits generally provided by ABM to all of its senior executives:

(1) Stock Purchase Plan. Mr. Mandles may continue to invest his Salary paid hereunder subject to the then current terms of ABM's Employee Stock Purchase Plan;

(2) Deferred Compensation. Mr. Mandles may continue to defer his Salary paid hereunder subject to the then current terms of ABM's Deferred Compensation Plan; and

(3) Health Insurance. Mr. Mandles shall be eligible for group health coverage to the same extent and on the same terms as a full-time senior executive of ABM provided Mr. Mandles continues to pay the employee portion of the premiums due for such coverage. ABM shall use commercially reasonable efforts to continue Mr. Mandles' group health coverage as an employee under its group health contracts. In the event Mr. Mandles ceases to be eligible for group health coverage during his employment under ABM's then existing group health insurance plan or group health contracts, Mr. Mandles may exercise his rights that he may then have under COBRA to continue his group health coverage during the Maximum Required Continuation Period (or, if such COBRA rights were previously exercised by Mr. Mandles and Mr. Mandles is maintaining his group health coverage under COBRA continue to be covered pursuant to COBRA during the Maximum Required Continuation Period). ABM will pay the cost of such COBRA continuation coverage (provided that Mr. Mandles shall pay the applicable employee share for such continuation coverage) until the earlier of the expiration date of the Maximum Required Continuation Period or the date on which Mr. Mandles ceases to be an employee of ABM. Nothing in this Section 3(c)(ii)(3) is intended to

limit or restrict Mr. Mandles' dependents from exercising any independent rights they may have under COBRA or comparable state law. If Mr. Mandles elects and maintains COBRA coverage through the expiration of the Maximum Required Continuation Period, then Mr. Mandles may exercise any rights he may then have under Section 1373.621 of the California Health and Safety Code ("CAL-COBRA-CONTINUATION") to continue group health coverage for Mr. Mandles pursuant to the governing rules of CAL-COBRA-CONTINUATION. ABM will pay the cost of such CAL-COBRA-CONTINUATION coverage (provided that Mr. Mandles will pay the employee portion of such coverage) until the earlier of the date that CAL-COBRA - CONTINUATION coverage is no longer required to be offered to Mr. Mandles or the date that Mr. Mandles ceases to be an employee of ABM. In no event under this Agreement will ABM pay for any COBRA or CAL-COBRA-CONTINUATION coverage for Mr. Mandles (or any dependents) with respect to any time period after November 1, 2004 or such earlier date that Mr. Mandles ceases to be an employee of ABM.

(iii) After the date that Mr. Mandles ceases to be an employee of ABM:

(1) Equity. Mr. Mandles shall remain eligible to exercise his unexercised stock options that are vested as of the date that he ceases to be an employee of ABM in accordance with the terms of each applicable stock option plan and option agreement;

(2) Retirement. Mr. Mandles shall remain eligible to receive the retirement benefits described in the Supplemental Executive Retirement Plan Grant Certificate dated April 10, 2002;

(3) Service Award Benefit. Mr. Mandles shall receive his service award benefits pursuant to the terms of such service award plan;

(4) Vacation. Any vacation balance accrued and not used before the date that Mr. Mandles ceases to be an employee of ABM shall be paid to him at that time;

(5) Deferred Compensation. Mr. Mandles shall be entitled to receive his deferred compensation pursuant to the terms of such plan and his distribution elections;

(6) Retiree Life Insurance. Mr. Mandles shall be eligible for retiree life insurance benefits as provided under such plan; and

(7) Health Insurance. If not previously exercised, Mr. Mandles may exercise his rights that he may have under COBRA (or CAL-COBRA-CONTINUATION) to purchase entirely at his own expense the applicable group health insurance for Mr. Mandles for the applicable premium and term. If Mr. Mandles previously exercised (and is continuing to maintain) his COBRA (or CAL-COBRA-CONTINUATION) rights, then he may continue, entirely at his own expense, to be covered pursuant to COBRA (or CAL-COBRA-CONTINUATION) for the applicable premium and term until the expiration of

the Maximum Required Continuation Period (or such later date that CAL-COBRA-CONTINUATION coverage is no longer required to be offered to Mr. Mandles).

(d) Through October 31, 2003, ABM shall continue to pay directly or reimburse Mr. Mandles for all expenses of his company car and memberships in Hillcrest Country Club, The Regency Club and the United Airlines Red Carpet Club. On November 1, 2003, ABM shall transfer the title (or cause the title to be transferred) free and clear to Mr. Mandles for his company car. After October 31, 2003, Mr. Mandles shall be solely responsible for all expenses of the aforementioned car and memberships. On November 1, 2004, ABM shall make a payment of \$103,000 to Mr. Mandles (subject to Section 3(g)) provided, however, that such payment shall be immediately applied by ABM to partially repay Mr. Mandles' obligation to ABM for ABM's purchase of Mr. Mandles' membership in Hillcrest Country Club. Mr. Mandles understands and agrees that he will fully pay off his \$103,000 obligation to ABM for the Hillcrest Country Club membership initial fee on November 1, 2004 or such earlier date that Mr. Mandles ceases to be an employee of ABM.

(e) ABM shall pay directly or reimburse Mr. Mandles for reasonable business expenses of ABM incurred by Mr. Mandles in connection with the proper performance of his services under this Agreement, upon presentation to such person by Mr. Mandles 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 excess of Twenty-Five Dollars (\$25) each.

(f) After the date that Mr. Mandles ceases to be an employee of ABM, he will be eligible to receive fees generally payable to non-employee directors for services he renders as a director of ABM.

(g) Any tax obligations of Mr. Mandles and tax liability therefor, including any penalties and interest based upon such tax obligation, that arise from the benefits and payments made to him under this Agreement shall be Mr. Mandles' responsibility and liability. ABM will report each payment provided for in this Section 3 on form W-2 for the tax year in which the payment is made. All payments or benefits made under this Agreement to Mr. Mandles (including those made under Section 3(d)) shall be subject to applicable tax withholding laws and regulations. Mr. Mandles shall be required to fully satisfy any such withholding as a condition of receipt of any payments or benefits.

4. No Other Benefits; No Admission of Liability. Mr. Mandles acknowledges that except for any vested or vesting benefits and except as specifically set forth in Section 3, Mr. Mandles shall not be entitled to any other compensation or benefits after the Effective Date. It is understood and agreed that the furnishing of the consideration for this Agreement shall not be deemed or construed at any time or for any purpose as an admission of liability by ABM or Mr. Mandles.

5. Business Conduct. While employed by ABM, Mr. Mandles 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 ABM, including the following:

(a) GOOD FAITH: Mr. Mandles shall not act in any way contrary to the best interest of ABM.

(b) BEST EFFORTS: Mr. Mandles shall not at any time from the Effective Date through the earlier of his termination of employment or November 1, 2004 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 ABM; except that Mr. Mandles may own up to five percent (5%) of any such publicly-held business(es), provided that Mr. Mandles: (x) shall give ABM notice(s) of such ownership in accordance with Section 23 hereof, and (y) 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).

(c) VERACITY: Mr. Mandles shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of ABM that are unauthorized by ABM or are in any way untrue.

(d) DRIVER'S LICENSE: Mr. Mandles shall have and carry a valid driver's license issued by his or her state of domicile or the State of California and a driver's permit issued by ABM whenever Mr. Mandles is driving any motor vehicle in connection with ABM business. Mr. Mandles agrees to immediately notify ABM in writing if Mr. Mandles' driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.

6. Indemnification Against Claims. ABM agrees to indemnify and hold Mr. Mandles harmless from any liability, claim, demand, cost, expense and attorneys' fees incurred by him as a result of any actions or omissions by him in the course of his service to ABM as an employee, officer or director to the extent other employees, officers or directors would be so indemnified.

7. Goodwill and Proprietary Information.

(a) Mr. Mandles agrees to utilize and further ABM's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that ABM may disclose to Mr. Mandles and Mr. Mandles may disclose to ABM, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including specific customer data such as: (i) the identity of ABM's customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from ABM, (iii) any particular needs or preferences regarding its service or supply requirements, (iv) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (v) its billing procedures, (vi) its credit limits and payment practices, and (vii) its organization structure.

(b) Mr. Mandles agrees that such Proprietary Information and Goodwill have unique value to ABM, are not generally known or readily available to ABM's competitors, and could only be developed by others after investing significant time and money. ABM would not make such Proprietary Information and Goodwill available to Mr. Mandles unless ABM is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Mr. Mandles. Mr. Mandles hereby acknowledges that to use this Proprietary Information and

Goodwill except for the benefit of ABM would be a breach of such trust and confidence and in violation of Mr. Mandles' Duty of Loyalty to ABM.

8. Covenants. In recognition of Section 7, Mr. Mandles hereby agrees that:

(a) as long as he is an employee and for one (1) year thereafter, he will at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with ABM;

(b) except in the proper performance of this Agreement or in the proper discharge of his duties as a director of ABM, he will not at any time directly or indirectly disclose or deliver to any other person or business any Proprietary Information obtained directly or indirectly by Mr. Mandles from, or for, ABM;

(c) he will not at any time seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of ABM through the direct or indirect use of any Proprietary Information of ABM, or by any other unfair or unlawful business practice;

(d) he will not directly or indirectly, for himself or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Mr. Mandles had direct business involvement on behalf of ABM covering the one (1) year period prior to the Effective Date through the date that Mr. Mandles ceases to be an employee of ABM;

(e) except as needed to perform his duties as a director of ABM (including, but not limited to, as Chairman of the Board and/or a member of the Executive Committee) or as requested of him by the CEO, Mr. Mandles agrees that: (i) on or before the Effective Date, he shall turn over to ABM all of ABM's confidential files, records, and other documents in his possession at that time, and (ii) on or before December 31, 2002 (or such earlier date that Mr. Mandles ceases to be an employee of ABM), he shall turn over to ABM at ABM's corporate office in Century City, California, all of ABM's office equipment, furniture, fixtures and supplies in his possession at that time;

(f) 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 as a result of any law regulating competition or proscribing unlawful business practices; and

(g) Mr. Mandles represents to Company that he is not bound by any contract with a previous employer or with any other business that might prevent him from entering into this Agreement. Mr. Mandles further represents that he is not bound by any other contracts or covenants that in any way restrict or limit his activities in relation to his employment with ABM that have not been fully disclosed to ABM prior to the signing of this Agreement.

9. Non-Disparagement. Both Mr. Mandles and ABM, through its directors and officers, agree not to make any unfavorable or disparaging remarks about the other to third parties or non-officer employees of ABM. However, Mr. Mandles acknowledges and agrees that ABM's non-disparagement obligation pursuant to this Agreement shall extend solely to the actions of ABM's directors and officers. For this purpose, "officers" is defined as those persons

identified by the Board as subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended. The provisions of this Section 9 shall terminate on November 1, 2004 or such earlier date that Mr. Mandles ceases to be an employee if Mr. Mandles does not re-execute a release of claims as provided in Section 12(d). If Mr. Mandles does re-execute the release of claims pursuant to Section 12(d), then the provisions of this Section 9 shall survive after (i) Mr. Mandles ceases to be an employee of ABM and (ii) termination of this Agreement.

10. Cooperation. After the date that Mr. Mandles ceases to be an employee of ABM, Mr. Mandles agrees to cooperate with ABM, its attorneys or experts retained by ABM or its attorneys in connection with any litigation matters involving ABM that are pending on the date Mr. Mandles ceases to be an employee of ABM or that may arise thereafter regarding events that occurred on or before the date Mr. Mandles ceased to be an employee of ABM.

11. No Other Claims. Mr. Mandles represents and warrants that he has not filed against ABM or any of its subsidiaries, directors, officers, employees, predecessors, successors, assigns or representatives any claim, complaint, charge or suit with any federal, state or other agency, court, board, office or other forum or entity, except for an open workers' compensation claim for benefits under policy number 166801995 (pursuant to claim number 2J004385 for a claim related to a May 9, 2000, date of loss). Mr. Mandles agrees that he will not, at any time hereafter, file any other claim, complaint, charge or suit based upon circumstances arising on or before the Effective Date, other than a claim arising from a breach by ABM of this Agreement (which shall be subject to Section 13), and that if any agency, court, board, office, forum or other entity assumes jurisdiction of any such claim, complaint, charge or suit, he will request such entity to withdraw from the matter. A breach of this Section 11 by Mr. Mandles shall entitle ABM to damages as provided by law and shall relieve ABM of all obligations to Mr. Mandles as provided in this Agreement.

12. General Mutual Releases.

(a) Mr. Mandles, on behalf of himself and his heirs, executors, administrators, successors and assigns, does hereby irrevocably and unconditionally release, acquit and forever discharge ABM and its affiliates and all of its and their stockholders, subsidiaries, directors, officers, employees, representatives, successors, assigns, agents and attorneys (collectively, "Company") from any and all charges, complaints, grievances, claims, liabilities, obligations, promises, agreements, controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts and expenses (including attorneys' fees and costs actually incurred), of whatever kind or nature, known or unknown, suspected or unsuspected, joint or several ("Claims"), which Mr. Mandles has had or may hereafter claim to have had, against Company by reason of any matter, act, omission, cause or event whatever that has occurred up to and including the Effective Date other than those obligations set forth in this Agreement. This release and waiver of Claims specifically includes but is not limited to: (i) all Claims arising from or relating in any way to any act or failure to act by any employee, officer or director of ABM, (ii) all Claims arising from or relating in any way to the employment relationship of Mr. Mandles with ABM and/or the termination thereof, including any Claims which have been asserted or could have been asserted against Company, and (iii) any and all Claims which might have been asserted by Mr. Mandles in any suit, claim, or charge, for or on

account of any matter or things whatsoever that has occurred up to and including the Effective Date, under any and all laws, constitutions, statutes, orders, regulations, or any other claim of right(s), including any claim under Age Discrimination in Employment Act of 1967, as amended, Title VII of the Civil Rights Act of 1964, as amended (including the amendments of the Civil Rights Act of 1991), the Employee Retirement Income Security Act of 1974, as amended, the Americans with Disabilities Act, State anti-discrimination statutes and any Claim in contract or tort.

(b) ABM, on behalf of itself and its successors and assigns, does hereby irrevocably and unconditionally release, acquit and forever discharge Mr. Mandles and his heirs, executors, administrators, successors and assigns from any and all Claims which ABM has had or may hereafter claim to have had, against Mr. Mandles by reason of any matter, act, omission, cause or event whatever that has occurred up to and including the Effective Date, other than the obligations set forth in this Agreement. In giving this release: (i) ABM is relying on Mr. Mandles' representations in Section 11 and his acknowledgement and further representation that he has no reason to believe that ABM should have any actionable claims against Mr. Mandles, and (ii) Mr. Mandles is relying on ABM's acknowledgement and further representation that ABM has no reason to believe that Mr. Mandles should have any actionable claims against ABM.

(c) For the purpose of implementing a full and complete release and discharge, each of the parties expressly acknowledges that this Agreement with the general releases set forth in this Section 12 are intended to include in their effect, without limitation, all Claims which the parties do not know or suspect to exist in their favor at the time of execution of this Agreement, and that this Agreement and such general releases contemplate the extinguishment of all such Claims. Each of the parties expressly waives and relinquishes all rights and benefits he or it may have under Section 1542 of the California Civil Code which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Mr. Mandles represents that he has read and understood the provisions of California Civil Code Section 1542.

(d) In order to extend the non-disparagement provisions of Section 9 and in recognition of other valuable consideration provided by ABM, Mr. Mandles (or his personal representative if applicable) agrees to re-execute a release of claims, substantially in the form provided in this Section 12, along with a representation similar to that provided in Section 11 on the date that Mr. Mandles ceases to be an employee of ABM.

13. Arbitration and Equitable Relief.

(a) Any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including claims or disputes between Mr. Mandles and ABM or its directors, officers, employees and agents regarding Mr. Mandles' employment or termination of employment hereunder, or any other business of ABM, 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.

(b) The cost of such arbitration shall be borne by ABM. 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.

(c) Provided that the complaining party has given to the other party no less than one (1) week's prior written notice of the alleged breach, the parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction or other interim or conservatory relief as may be necessary, without breach of this Agreement and without abridgment of the powers of the arbitrator. The parties hereby submit themselves to the courts of California in and for the County of San Francisco for the purpose of enforcing this Agreement.

14. Confidentiality of Agreement.

(a) Mr. Mandles represents and agrees that he has not disclosed the terms of this Agreement and, until such time that ABM is required by law to publicly disclose the terms of this Agreement, Mr. Mandles agrees that he will keep the terms, amounts and all other specific facts of this Agreement completely confidential and that he will not disclose any information concerning this Agreement to any person or entity, other than that which is legally required and other than to his immediate family, administrative assistant and professional representatives (including financial, tax and legal advisors); provided, that disclosure to his immediate family, administrative assistant or professional representatives is conditioned on the fact that they agree to keep said information confidential and not disclose it to others.

(b) In the event Mr. Mandles discloses, in violation of Section 14(a), the alleged facts upon which this Agreement is based, the amount of consideration tendered to him, or the terms of the Agreement, ABM shall be entitled to recover its actual damages or take any other action legally allowable.

15. Death, Resignation or Termination for Just Cause. Except as may be expressly provided otherwise in Sections 3(c)(iii) and 3(f), all compensation, payments and benefits to be provided to Mr. Mandles by ABM under this Agreement (including but not limited to Section 3(d)) shall automatically terminate and cease upon (a) the death of Mr. Mandles, (b)

Mr. Mandles' resignation of employment or (c) the termination of Mr. Mandles' employment by ABM for Just Cause. ABM shall pay when due to Mr. Mandles' designated beneficiary or estate, as applicable, all prorated Salary, Bonus or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Mr. Mandles under this Agreement, through the date that Mr. Mandles ceased to be an employee of ABM pursuant to clauses (a) through (c) above.

16. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of Mr. Mandles and ABM, and their respective heirs, administrators, representatives, executors, successors and assigns. Mr. Mandles hereby designates The Mandles Family Trust dated June 30, 1993, as amended, as his beneficiary under this Agreement.

17. Attorneys' Fees. Each party shall bear its own costs (other than the costs of arbitration pursuant to Section 13) and attorneys' fees incurred in the achieving the settlement and release of the matters set forth in this Agreement. If one party commences an action against the other to enforce or interpret the terms of this Agreement, or to obtain a declaration of rights under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs (other than the costs of arbitration pursuant to Section 13) and expenses incurred in such action or any appeal or enforcement of such action, in addition to any other relief to which that party may be entitled under this Agreement.

18. Voluntary Participation. Each of the parties acknowledges that he or it has read the Agreement, and that he or it enters into this Agreement freely, voluntarily, without coercion and based on the party's own judgment and not in reliance upon any representations or promises made by the others, except those contained in this Agreement.

19. Method of Execution. This Agreement may be executed in counterparts and each counterpart shall be deemed a duplicate original.

20. Governing Law. This Agreement is deemed to have been made and entered into in the State of California and shall in all respects be interpreted, enforced and governed under the laws of the State of California without regard to the conflicts of laws policies thereof. The language of all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning and not strictly for or against any party.

21. Severability. The provisions of this Agreement are severable and should any provision of this Agreement be declared or be determined by any arbitrator or court to be illegal or invalid, any such provision shall be stricken, and the validity of the remaining parts, terms or provisions shall not be affected.

22. Older Workers Benefit Protection Act. Pursuant to the requirements of the Older Workers Benefit Protection Act, Mr. Mandles has up to 21 days from October 29, 2002 to consider and sign this Agreement, although Mr. Mandles may accept it at any time within those 21 days. Mr. Mandles hereby acknowledges that he has consulted an attorney or been advised to consult an attorney about this Agreement. Once Mr. Mandles accepts the terms of this Agreement and signs this Agreement, he has seven days to revoke his acceptance. To revoke this Agreement, Mr. Mandles must send to the CEO a written statement of revocation by

registered mail, return receipt requested. If Mr. Mandles does not timely revoke this Agreement, this Agreement shall become effective on the eighth day after he signs it ("Effective Date").

23. Notices.

(a) 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:

MR. MANDLES: Martinn H. Mandles
ABM Industries Incorporated
2029 Century Park East Suite 3160
Los Angeles, CA 90067

with a copy to:

Martinn H. Mandles
2465 Century Hill
Los Angeles, CA 90067

ABM: ABM Industries Incorporated
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: President & CEO

with a copy to:

ABM Industries Incorporated
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Sr. VP & Chief Employment Counsel

(b) 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.

24. Interpretation. When a reference is made in this Agreement to Sections, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement they shall be deemed to be followed by the words "without limitation."

[Remainder of page left intentionally blank.]

25. Entire Agreement. Except as expressly provided herein, this Agreement sets forth the entire agreement between the parties as to the subject matter hereof and supersedes any and all prior oral or written agreements or understandings between the parties. No waiver, alteration or modification of any of the provisions of this Agreement shall be binding unless in writing and signed by the party against whom enforcement of the waiver, change or modification is sought. Failure or delay on the part of either party to enforce any right, power or privilege under this Agreement shall not be deemed to constitute a waiver thereof.

Date: October 29, 2002

/s/ Martinn H. Mandles

Martinn H. Mandles

Date: October 29, 2002

ABM INDUSTRIES INCORPORATED

By: /s/ Henrik C. Slipsager

Henrik C. Slipsager
President and Chief Executive Officer

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 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 the 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) with the title set forth in 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 excess of Twenty-Five Dollars (\$25) each.

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.
- 2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company, and 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 any such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of such ownership 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 and carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder and a driver's permit issued by the Company 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.

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

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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 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 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.
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, 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 all previously earned and vested but as yet unpaid, salary, prorated bonus 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) with the title set forth in 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) with the title set forth in 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 highest base salary specified in Paragraph X.1.a shall be increased annually as set forth in Paragraph X.1.b for each year of 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. 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. 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. 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 other dishonesty, (ii) neglect of or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances, (vi) 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. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, 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, bonus 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, as applicable. 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. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, bonus 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.

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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 the actual amount of damages resulting from any material breach of any of the provisions of Paragraphs K and/or L hereof would be impractical or impossible to estimate or ascertain. It is therefore agreed that the damages resulting from any such breach which involves any customer of Company shall be liquidated damages, not a penalty, in an amount equal to four (4) times the lost monthly revenue to the Company based on the average monthly revenue which was payable by that customer to Company during the four (4) months immediately preceding such breach. This provision for liquidated damages is in addition to any other relief available to Company pursuant to this Agreement or under law.
- 3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from Executive's compensation and from any other funds 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.

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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. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

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
80 Orange Court
Hillsborough, CA 94010

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: President & CEO

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. SALARY:

- a. Four Hundred Fifty Thousand Dollars (\$450,000) per year effective November 1, 2001 through October 31, 2002 at the monthly rate of \$37,500 payable semi-monthly.
- b. Effective November 1, 2002 through October 31, 2003 the Salary in Paragraph X.1.a. will be adjusted upward to reflect the percentage increase change in the WorldatWork TM/(formerly, the American Compensation Association) Total Salary Increase Budget Survey for the Western Region ("ACA Index") with a six percent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the current year, immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for such year unless the Company's net earnings per share ("EPS"), excluding WTC Related Gain (as defined below) for the fiscal year of the Company, commencing November 1 and ending October 31 ("Fiscal Year"), then ending are equal to or greater than the Company's EPS for the previous Fiscal Year.

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the potential prospective re-set provisions set forth in Subparagraph c, below ("Reset"), Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal

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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. Subject to the maximum bonus payable under subparagraph c., such Bonus for each Fiscal Year shall be 0.1643% of the Company's Profit on a pro-rata basis.
- b. Profit for purposes of determining such 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 discontinuation of any business unit of Company, (iii) the discretionary portion of any contributions made to any profit sharing, employee retirement savings or similar plan and (iv) WTC Related Gain. At any time the Board of Directors of the Company (the "Board") reserves the right to further adjust Profit for purposes of determining a 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 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 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. Subject to proration in the event of modification or termination of employment under this Agreement, and further subject to a Reset in the event Executive's Bonus for Fiscal Year 2002 has been limited as hereinafter provided, Executive's maximum Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary for that year set forth in this Agreement. If, however, in Fiscal Year 2002 the Bonus which might have been earned by Executive for that year exceeds said one hundred percent (100%) maximum, Executive's Base Salary and Bonus percentage for Fiscal Year 2003 shall be Reset as follows: (i) notwithstanding the six percent (6%) maximum set forth in paragraph X.1.b. of the Agreement, the Executive's Salary shall be adjusted to equal seventy-five percent (75%) of the prior Fiscal Year's combined Salary and Bonus, plus an amount equal to the increase, if any, set forth in Paragraph X.1.b of the Agreement based upon said ACA Index; and (ii) the Bonus percentage set forth in Subparagraph a (above) shall be adjusted by multiplying the prior Fiscal Year's combined Salary and Bonus by twenty-five percent (25%), and dividing that product by the actual Profit earned in the prior Fiscal Year.
- d. The Chief Financial Officer of the Company shall calculate the Profit and Bonus for purposes of this Agreement. Company shall pay Executive the Bonus for the Fiscal Year following completion of the audit of the Company's financial statements, but no later than

seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Bonus earlier. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such 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 or Bonus, shall be final and binding upon Executive and Company.

- 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 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 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 or Reset provisions described in paragraph X.2.c. above.
- h. Executive herein acknowledges receipt of Bonus for Fiscal Year 2001 and agrees that he or she is not entitled to any further bonus for that year, for any reason whatsoever.

3. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP") Following Executive's retirement, resignation and/or termination from employment with Company (but commencing no earlier than what is or would have been Executive's sixty-fifth (65th) birthday and concluding no later than ten (10) years thereafter), Company shall pay to Executive: 120 equal monthly installments each of 1/120th of the Supplemental Benefit accrued, pursuant to the terms of the Plan Document, provided herewith.

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.

Corp Exec w/ SERP

INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

3. This Agreement may not be amended except in a writing signed by the Executive and two (2) officers of the Company, 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 two (2) officers of the Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ Jess E. Benton

Date: 9/10/02

COMPANY: ABM INDUSTRIES INCORPORATED

Date: 9/10/02

Signature: /s/ Henrik C. Slipsager

Title: CEO

Signature: /s/ Donna M. Dell

Title: S.V.P of HR

Corp Exec w/ SERP INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of November 1, 2001, 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 Board of Directors of the Company, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2001, 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 ("Base Salary").
 - 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 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 the 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) with the title set forth in 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 excess of Twenty-Five Dollars (\$25) each.

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.
- 2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company, and 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 any such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of such ownership 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 and carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder and a driver's permit issued by the Company 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.

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

Corp Exec w/ SERP INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

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 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 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.
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

Corp Exec w/ SERP INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

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, 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 all previously earned and vested but as yet unpaid, salary, prorated bonus 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) with the title set forth in 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) with the title set forth in 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 highest base salary specified in Paragraph X.1.a shall be increased annually as set forth in Paragraph X.1.b for each year of 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. 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. 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. 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 other dishonesty, (ii) neglect of or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances, (vi) 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. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, 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, bonus 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, as applicable. 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. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, bonus 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.

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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. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

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: HENRIK C. SLIPSAGER
17 Stratton Road
Purchase, NY10577

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

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. SALARY:

a. Six Hundred Fifty Thousand Dollars (\$650,000) per year effective November 1, 2001 through October 31, 2002 at the monthly rate of \$54,166.67 payable semi-monthly.

b. Effective November 1, 2002 through October 31, 2003 the Salary in Paragraph X.1.a. will be adjusted upward to reflect the percentage increase change in the WorldatWork (TM)/(formerly, the American Compensation Association) Total Salary Increase Budget Survey for the Western Region ("ACA Index") with a six percent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the current year, immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for such year unless the Company's net earnings per share ("EPS"), excluding WTC Related Gain (as defined below) for the fiscal year of the Company, commencing November 1 and ending October 31 ("Fiscal Year"), then ending are equal to or greater than the Company's EPS for the previous Fiscal Year.

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the potential prospective re-set provisions set forth in Subparagraph c, below ("Reset"), Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal

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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. Subject to the maximum bonus payable under subparagraph c., such Bonus for each Fiscal Year shall be 0.2519% of the Company's Profit on a pro-rata basis.
- b. Profit for purposes of determining such 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 discontinuation of any business unit of Company, (iii) the discretionary portion of any contributions made to any profit sharing, employee retirement savings or similar plan and (iv) WTC Related Gain. At any time the Board of Directors of the Company (the "Board") reserves the right to further adjust Profit for purposes of determining a 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 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 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. Subject to proration in the event of modification or termination of employment under this Agreement, and further subject to a Reset in the event Executive's Bonus for Fiscal Year 2002 has been limited as hereinafter provided, Executive's maximum Bonus for each Fiscal Year shall be one hundred percent (100%) of the Base Salary for that year set forth in this Agreement. If, however, in Fiscal Year 2002 the Bonus which might have been earned by Executive for that year exceeds said one hundred percent (100%) maximum, Executive's Base Salary and Bonus percentage for Fiscal Year 2003 shall be Reset as follows: (i) notwithstanding the six percent (6%) maximum set forth in paragraph X.1.b. of the Agreement, the Executive's Salary shall be adjusted to equal seventy-five percent (75%) of the prior Fiscal Year's combined Salary and Bonus, plus an amount equal to the increase, if any, set forth in Paragraph X.1.b of the Agreement based upon said ACA Index; and (ii) the Bonus percentage set forth in Subparagraph a (above) shall be adjusted by multiplying the prior Fiscal Year's combined Salary and Bonus by twenty-five percent (25%), and dividing that product by the actual Profit earned in the prior Fiscal Year.
- d. The Chief Financial Officer of the Company shall calculate the Profit and Bonus for purposes of this Agreement. Company shall pay Executive the Bonus for the Fiscal Year following completion of the audit of the Company's financial statements, but no later than

seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Bonus earlier. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such 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 or Bonus, shall be final and binding upon Executive and Company.

- 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 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 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 or Reset provisions described in paragraph X.2.c. above.
- h. Executive herein acknowledges receipt of Bonus for Fiscal Year 2001 and agrees that he or she is not entitled to any further bonus for that year, for any reason whatsoever.

3. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP") Following Executive's retirement, resignation and/or termination from employment with Company (but commencing no earlier than what is or would have been Executive's sixty-fifth (65th) birthday and concluding no later than ten (10) years thereafter), Company shall pay to Executive: 120 equal monthly installments each of 1/120th of the Supplemental Benefit accrued, pursuant to the terms of the Plan Document, provided herewith.

4. POST-EMPLOYMENT CONSULTANCY: After Executive's retirement, resignation and/or termination from employment with Company, but commencing no earlier than what is or would have been Executive's sixty-fifth (65th) birthday 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 the 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 consideration for 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 reasonable business expenses of Company incurred by Executive in connection with such services upon presentation to that person by Executive within sixty (60) days after incurring such expense of an itemized

request for payment including the date and receipts 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 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. 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 two (2) officers of the Company, 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 two (2) Directors of the Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ Henrik C. Slipsager

Date: 9/30/02

COMPANY: ABM INDUSTRIES INCORPORATED

Date: 10/10/02

Signature: /s/ Maryellen C. Herringer

Title: Chair, Compensation Committee, Board of Directors

Signature: /s/ Henry L. Kotkins

Title: Member, Compensation Committee, Board of Directors

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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.
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,

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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, 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 all previously earned and vested but as yet unpaid, salary, prorated bonus 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) with the title set forth in 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) with the title set forth in 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 highest base salary specified in Paragraph X.1.a shall be increased annually as set forth in Paragraph X.1.b for each year of 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. 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. 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. 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 other dishonesty, (ii) neglect of or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances, (vi) 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. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, 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, bonus 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, as applicable. 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. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, bonus 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

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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: President & CEO

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. SALARY:

- a. Three Hundred Thousand Dollars (\$300,000) per year effective November 1, 2001 through October 31, 2002 at the monthly rate of \$25,000 payable semi-monthly.
- b. Effective November 1, 2002 through October 31, 2003 the Salary in Paragraph X.1.a. will be adjusted upward to reflect the percentage increase change in the WorldatWork TM/(formerly, the American Compensation Association) Total Salary Increase Budget Survey for the Western Region ("ACA Index") with a six percent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the current year, immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for such year unless the Company's net earnings per share ("EPS"), excluding WTC Related Gain (as defined below) for the fiscal year of the Company, commencing November 1 and ending October 31 ("Fiscal Year"), then ending are equal to or greater than the Company's EPS for the previous Fiscal Year.

- 2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the potential prospective re-set provisions set forth in Subparagraph c, below ("Reset"), 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. Subject to the maximum bonus payable under subparagraph c., such Bonus for each Fiscal Year shall be 0.1053% of the Company's Profit on a pro-rata basis.

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- b. Profit for purposes of determining such 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 discontinuation of any business unit of Company, (iii) the discretionary portion of any contributions made to any profit sharing, employee retirement savings or similar plan and (iv) WTC Related Gain. At any time the Board of Directors of the Company (the "Board") reserves the right to further adjust Profit for purposes of determining a 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 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 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. Subject to proration in the event of modification or termination of employment under this Agreement, and further subject to a Reset in the event Executive's Bonus for Fiscal Year 2002 has been limited as hereinafter provided, Executive's maximum Bonus for each Fiscal Year shall be fifty percent (50%) of the Base Salary for that year set forth in this Agreement. If, however, in Fiscal Year 2002 the Bonus which might have been earned by Executive for that year exceeds said fifty percent (50%) maximum, Executive's Base Salary and Bonus percentage for Fiscal Year 2003 shall be Reset as follows: (i) notwithstanding the six percent (6%) maximum set forth in paragraph X.1.b. of the Agreement, the Executive's Salary shall be adjusted to equal seventy-five percent (75%) of the prior Fiscal Year's combined Salary and Bonus, plus an amount equal to the increase, if any, set forth in Paragraph X.1.b of the Agreement based upon said ACA Index; and (ii) the Bonus percentage set forth in Subparagraph a (above) shall be adjusted by multiplying the prior Fiscal Year's combined Salary and Bonus by twenty-five percent (25%), and dividing that product by the actual Profit earned in the prior Fiscal Year.
- d. The Chief Financial Officer of the Company shall calculate the Profit and Bonus for purposes of this Agreement. Company shall pay Executive the Bonus for the Fiscal Year following completion of the audit of the Company's financial statements, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Bonus earlier. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such 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 or Bonus, shall be final and binding upon Executive and Company.

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- 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 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 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 or Reset provisions described in paragraph X.2.c. above.
- h. Executive herein acknowledges receipt of Bonus for Fiscal Year 2001 and agrees that he or she is not entitled to any further bonus for that year, for any reason whatsoever.

3. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN ("SERP") Following Executive's retirement, resignation and/or termination from employment with Company (but commencing no earlier than what is or would have been Executive's sixty-fifth (65th) birthday and concluding no later than ten (10) years thereafter), Company shall pay to Executive: 120 equal monthly installments each of 1/120th of the Supplemental Benefit accrued, pursuant to the terms of the Plan Document, provided herewith.

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 two (2) officers of the Company, and approved by the Company's Board of Directors.

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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) officers of the Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ George B. Sundby

Date: November 11, 2002

COMPANY: ABM INDUSTRIES INCORPORATED

Date: November 11, 2002

Signature: /s/ Henrk C. Slipsager

Title: President

Signature: /s/ Donna M. Dell

Title: Sr. V.P. of HR

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EXHIBIT 10.75

DIVISION EXECUTIVE EMPLOYMENT AGREEMENT

THIS DIVISION EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of November 1, 2001, by and between JAMES P. MCCLURE ("Executive"), and ABM JANITORIAL SERVICES ("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 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 President and Chief Executive Officer of ABM Industries, Inc., 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, 2001, 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 ("Base Salary").
 - 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

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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 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) with the title set forth in 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 excess of Twenty-Five Dollars (\$25) each.
- 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.
 - 2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company, and 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 any such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of such ownership 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 and carry a valid driver's license issued by his or her state of domicile or the State of Employment hereunder and a driver's permit issued by the Company 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.
- 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 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.

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Executive specifically acknowledges that all such 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.
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,

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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, 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 all previously earned and vested but as yet unpaid, salary, prorated bonus 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) with the title set forth in 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) with the title set forth in 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 highest base salary specified in Paragraph X.1.a shall be increased annually as set forth in Paragraph X.1.b for each year of 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. 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. 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. 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 other dishonesty, (ii) neglect of or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances, (vi) 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. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, 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, bonus 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, as applicable. 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. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, bonus 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

Div Exec w/ SERP(WT) INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

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 the actual amount of damages resulting from any material breach of any of the provisions of Paragraphs K and/or L hereof would be impractical or impossible to estimate or ascertain. It is therefore agreed that the damages resulting from any such breach which involves any customer of Company shall be liquidated damages, not a penalty, in an amount equal to four (4) times the lost monthly revenue to the Company based on the average monthly revenue which was payable by that customer to Company during the four (4) months immediately preceding such breach. This provision for liquidated damages is in addition to any other relief available to Company pursuant to this Agreement or under law.
- 3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from Executive's compensation and from any other funds 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 or judicial action 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. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

Div Exec w/ SERP(WT) INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

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
78 Van Tassel Lane
Orinda, CA 94563

COMPANY: ABM INDUSTRIES, INC.
160 Pacific Avenue
San Francisco, CA 94111
Attention: CEO

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. SALARY:

- a. Three Hundred Seventy Five Thousand Dollars (\$375,00) per year effective November 1, 2001 through March , 2002 at the monthly rate of \$31,250 payable semi-monthly. Effective April 1, 2002 through October 31, 2002 Executive's salary shall be Four Hundred Five Thousand Dollars (\$405,000) per year at a monthly rate of \$33,750.
- b. Effective November 1, 2002 and for each year of any Extended Term the Salary in Paragraph X.1.a. will be adjusted upward to reflect the percentage increase change in the WorldatWork TM/(formerly, the American Compensation Association) Total Salary Increase Budget Survey for the Western Region ("ACA Index") with a six percent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the current year, immediately preceding the effective date of the proposed increase hereunder.

- 2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the potential prospective re-set provisions set forth in Subparagraph c, below ("Reset"), 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. Subject to the maximum bonus payable under subparagraph c., such Bonus for each Fiscal Year shall be 0.2374% of the Company's Profit on a pro-rata basis.

Div Exec w/ SERP(WT) INITIALS: EXECUTIVE /s/ EXECUTIVE COMPANY /s/ COMPANY

- b. Profit for purposes of determining such 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 discontinuation of any business unit of Company, (iii) any corporate charges imposed by the Company's parent corporation, as a percentage of sales and (iv) the discretionary portion of any contributions made to any profit sharing, employee retirement savings or similar plan and (v) WTC Related Gain. At any time the Board of Directors of the Company (the "Board") reserves the right to further adjust Profit for purposes of determining a 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 "WTC Related Gain" shall mean the total amount of all items of income included in the Company's 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. 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. Subject to proration in the event of modification or termination of employment under this Agreement, and further subject to a Reset in the event Executive's Bonus for Fiscal Year 2002 has been limited as hereinafter provided, Executive's maximum Bonus for each Fiscal Year shall be fifty percent (50%) of the Base Salary for that year set forth in this Agreement. If, however, in Fiscal Year 2002 the Bonus which might have been earned by Executive for that year exceeds said fifty percent (50%) maximum, Executive's Base Salary and Bonus percentage for Fiscal Year 2003 shall be Reset as follows: (i) notwithstanding the six percent (6%) maximum set forth in paragraph X.1.b. of the Agreement, the Executive's Salary shall be adjusted to equal seventy-five percent (75%) of the prior Fiscal Year's combined Salary and Bonus, plus an amount equal to the increase, if any, set forth in Paragraph X.1.b of the Agreement based upon said ACA Index; and (ii) the Bonus percentage set forth in Subparagraph a (above) shall be adjusted by multiplying the prior Fiscal Year's combined Salary and Bonus by twenty-five percent (25%), and dividing that product by the actual Profit earned in the prior Fiscal Year.
- d. The Chief Financial Officer of the Company shall calculate the Profit and Bonus for purposes of this Agreement. Company shall pay Executive the Bonus for the Fiscal Year following completion of the audit of the Company's financial statements, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any Bonus earlier. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Bonus is payable. Absent bad faith or material error, any calculations of the Chief Financial Officer and any conclusions of the of the Board with respect to the amounts of the Profit or Bonus shall be final and binding upon Executive and Company.
- e. 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) by Company after termination of the initial or Extended Term of this Agreement or of employment hereunder.

[LETTERHEAD OF ABM INDUSTRIES INCORPORATED]

October 10, 2002

James P. McClure
78 Van Tassel Lane
Orinda, CA 94563

Re: First Amendment ("Amendment") of Division Executive Employment Agreement ("Agreement")

Dear Jim:

Your employment Agreement effective November 1, 2001 is hereby modified as follows:

PARAGRAPH B. TITLE shall be amended as of September 10, 2002 in its entirety to read:

"Executive's title shall be President of Company and Executive Vice President of ABM Industries Incorporated, Company's parent Corporation ("ABM"), subject to modification as mutually agreed upon by both Company and Executive."

PARAGRAPH C. DUTIES AND RESPONSIBILITIES shall be amended in its entirety to read:

"Executive shall report to and be accountable to and shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned to Executive from time-to time by the Chairman of the Board (with regard to Company matters) and by the President and Chief Executive Officer of ABM (with regard to ABM matters) or their respective designees or successors."

The effective date of this Amendment shall be September 10, 2002. In all other respects, the Agreement shall remain unchanged. Please sign both copies of this Amendment and return them to me at your earliest convenience. I shall return a fully executed copy to you as soon as the necessary signatures are obtained.

Sincerely,

/s/ Donna M. Dell

Donna M. Dell

I AGREE TO THE FOLLOWING:

/s/ James P. McClure

/s/ Henrik Slipsager

James P. McClure

Henrik Slipsager

APPROVED:

Board of Director

New York Stock Exchange Symbol: ABM

FIRST AMENDMENT TO RIGHTS AGREEMENT

FIRST AMENDMENT (this "Amendment") to the Rights Agreement, dated as of March 17, 1998 (the "Rights Agreement"), between ABM Industries Incorporated, a Delaware corporation (the "Company"), and Mellon Investor Services LLC (f/k/a ChaseMellon Shareholder Services, L.L.C.), as Rights Agent (the "Rights Agent"), made and entered into as of May 6, 2002.

W I T N E S S E T H:

WHEREAS, the Company and the Rights Agent entered into the Rights Agreement specifying the terms of the Rights; and

WHEREAS, all acts and things necessary to constitute this Amendment a valid agreement according to its terms have been done and performed, and the execution and delivery by the Company and the Rights Agent of this Amendment have in each and all respects been fully authorized by the Company and the Rights Agent;

NOW THEREFORE, in consideration of the promises and the respective agreements set forth herein, the parties hereby agree as follows:

1. In Section 1.1 of the Rights Agreement, the definition of "Redemption Price" shall be, and is hereby amended in its entirety to read as follows:

"'Redemption Price' shall mean an amount equal to one-half cent (\$0.005) per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof."

2. Section 2.3(a) of the Rights Agreement shall be, and is hereby amended in its entirety to read as follows:

"(a) Subject to Sections 3.1, 5.1 and 5.10 and subject to adjustment as herein set forth, each Right will entitle the holder thereof, after the Separation Time and prior to the Expiration Time, to purchase, for the Exercise Price, one two-thousandth (1\2000) of a share of Preferred Stock."

3. Section 3.1(d) of the Rights Agreement shall be, and is hereby amended in its entirety to read as follows:

"(d) Whenever the Company shall become obligated under Section 3.1(a) or (c) to issue shares of Common Stock upon exercise of or in exchange for Rights, the Company, at its option, may substitute therefore shares of Preferred Stock, at a ratio of one two-thousandth of a share of Preferred Stock for each share of Common Stock so issuable, appropriately adjusted to protect interests of the holders of the Rights generally to reflect any event of this type analogous to any of the events described in Section 2.4 (a) or (b) which my have occurred with respect to the Common Stock."

4. Exhibit A of the Rights Agreement shall be, and hereby is amended as follows:

(a) The words ", AS AMENDED" shall be, and are hereby added to the first sentence of the legend at the top of page A-1 after the words "RIGHTS AGREEMENT".

(b) The first full paragraph under the heading "Rights Certificate" shall be, and is hereby is amended by deleting the words "one one-thousandth of a fully paid share" and substituting in lieu thereof the words "two one-thousandths of a fully paid share."

(c) The fifth full paragraph under the heading "Rights Certificate" shall be, and is hereby is amended by deleting the words "\$0.01 per Right" and substituting in lieu thereof the words "\$0.005 per Right."

5. Except as amended hereby, the Rights Agreement shall continue in full force and effect.

6. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

7. This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such state applicable to contracts to be made and performed entirely within such State.

8. Terms used in this Amendment and not defined herein shall have the meanings assigned to such terms by the Rights Agreement.

9. If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidation or rendering unenforceable the remaining terms and provisions of this Amendment or the Rights Agreement or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

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

ABM INDUSTRIES INCORPORATED

By: /s/ Lorraine P. O'Hara

Name: Lorraine P. O'Hara
Title: Assistant Secretary

MELLON INVESTOR SERVICES LLC

By: /s/ Sharon Magidson

Name: Sharon Magidson
Title: Vice President

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT
AS OF OCTOBER 31, 2002

Name	State of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
ABM Industries Incorporated	Delaware	Registrant
(*) ABM Co. of Boston	California	100%
ABM Engineering Services Company	California	100%
ABM Facility Services Company	California	100%
ABM Global Facility Services	California	100%
ABM Janitorial Services - Northern California	California	100%
ABM Janitorial Services Co., Ltd.	Brit. Columbia	100%
ABM Lakeside, Inc.	California	100%
ABM Payroll Service, Inc.	California	100%
ABM Supply Company**	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 System Parking	California	100%
Amtech Elevator Services	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%
Commecail Property Services, Inc. **	California	100%
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

CONSENT OF INDEPENDENT AUDITORS

To the Stockholders and 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 10, 2002, relating to the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 2002 and 2001, 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, 2002, and related financial statement schedule II, which report appears in the October 31, 2002, annual report on Form 10-K of ABM Industries Incorporated.

Registration No.	Form	Plan
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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
 December 16, 2002

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

In connection with the Annual Report of ABM Industries Incorporated (the "Company") on Form 10-K for the fiscal year ended October 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Henrik C. Slipsager, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Henrik C. Slipsager

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

Date: December 16, 2002

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

In connection with the Annual Report of ABM Industries Incorporated (the "Company") on Form 10-K for the fiscal year ended October 31, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George B. Sundby, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ George B. Sundby

George B. Sundby
Chief Financial Officer
(Principal Financial Officer)

Date: December 16, 2002