

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **July 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

94-1369354

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

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**

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 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

Number of shares of Common Stock outstanding as of August 31, 2002: 49,290,409.

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ABM Industries Incorporated
Form 10-Q
For the three months and nine months ended July 31, 2002

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Financial Statements**

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except share amounts)

	July 31, 2002	October 31, 2001
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,756	\$ 3,052
Trade accounts receivable, net	334,131	367,201
Inventories	27,497	25,974
Deferred income taxes	28,932	26,806
Prepaid expenses and other current assets	46,113	42,508
	<u>439,429</u>	<u>465,541</u>
Total current assets	439,429	465,541
Investments and long-term receivables	13,388	13,871
Property, plant and equipment, at cost:		
Land and buildings	5,021	4,996
Transportation equipment	15,034	15,546
Machinery and other equipment	73,593	73,543
Leasehold improvements	14,829	14,802
	<u>108,477</u>	<u>108,887</u>
Less accumulated depreciation and amortization	(69,908)	(65,951)
	<u>38,569</u>	<u>42,936</u>
Property, plant and equipment, net	38,569	42,936
Goodwill	165,875	113,199
Deferred income taxes	34,013	35,400
Other assets	13,393	12,153
	<u>704,667</u>	<u>683,100</u>
Total assets	\$704,667	\$683,100

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands except share amounts)

	July 31, 2002	October 31, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 10,877
Bank overdraft	4,281	—
Trade accounts payable	38,564	50,671
Income taxes payable	5,925	6,816
Accrued liabilities:		
Compensation	63,658	62,854
Taxes — other than income	17,059	20,409
Insurance claims	49,427	48,193
Other	41,098	36,179
	<u>220,012</u>	<u>235,999</u>
Long-term debt (less current portion)	15,000	942
Retirement plans	22,229	21,483
Insurance claims	65,807	63,499
	<u>323,048</u>	<u>321,923</u>
Stockholders' equity:		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 50,074,000 and 48,778,000 shares issued at July 31, 2002 and October 31, 2001, respectively	501	488
Additional paid-in capital	146,765	130,998
Accumulated other comprehensive loss	(761)	(763)
Retained earnings	251,784	230,454
Cost of treasury stock (900,000 shares)	(16,670)	—
	<u>381,619</u>	<u>361,177</u>
Total liabilities and stockholders' equity	<u>\$704,667</u>	<u>\$683,100</u>

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amounts)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2002	2001	2002	2001
Revenues:				
Sales and other income	\$543,752	\$542,918	\$1,597,154	\$1,602,370
Gain on insurance claim	5,725	—	10,025	—
Total revenues	549,477	542,918	1,607,179	1,602,370
Expenses:				
Operating expenses and cost of goods sold	484,295	479,615	1,427,641	1,415,956
Selling, general and administrative	49,227	38,885	127,634	120,771
Interest	229	521	726	2,230
Goodwill amortization	—	3,095	—	9,073
Total expenses	533,751	522,116	1,556,001	1,548,030
Income before income taxes	15,726	20,802	51,178	54,340
Income taxes	3,092	7,569	16,564	20,649
Net income	<u>\$ 12,634</u>	<u>\$ 13,233</u>	<u>\$ 34,614</u>	<u>\$ 33,691</u>
Net income per common share				
Basic	\$ 0.26	\$ 0.27	\$ 0.71	\$ 0.70
Diluted	\$ 0.25	\$ 0.26	\$ 0.68	\$ 0.67
Average number of common shares outstanding				
Basic	49,059	48,012	49,093	47,340
Diluted	51,179	50,676	51,117	49,806
Dividends per common share	\$ 0.090	\$ 0.083	\$ 0.270	\$ 0.248

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 2002 AND 2001
(In thousands)

	2002	2001
Cash flows from operating activities:		
Cash received from customers	\$ 1,618,956	\$ 1,592,285
Other operating cash receipts	8,525	4,400
Interest received	441	733
Cash paid to suppliers and employees	(1,546,475)	(1,517,187)
Interest paid	(856)	(2,661)
Income taxes paid	(17,441)	(23,849)
	<u>63,150</u>	<u>53,721</u>
Net cash provided by operating activities	63,150	53,721
Cash flows from investing activities:		
Additions to property, plant and equipment	(5,720)	(13,701)
Proceeds from sale of assets	1,033	1,737
Decrease (increase) in investments and long-term receivables	483	(46)
Purchase of businesses	(50,407)	(21,392)
Proceeds from sale of business	—	12,000
	<u>(54,611)</u>	<u>(21,402)</u>
Net cash used in investing activities	(54,611)	(21,402)
Cash flows from financing activities:		
Common stock issued	13,656	19,395
Common stock purchases	(16,670)	—
Dividends paid	(13,283)	(12,137)
Increase (decrease) in bank overdraft	4,281	(11,334)
Long-term borrowings	15,000	55,000
Repayments of long-term borrowings	(11,819)	(82,857)
	<u>(8,835)</u>	<u>(31,933)</u>
Net cash used in financing activities	(8,835)	(31,933)
Net (decrease) increase in cash and cash equivalents	(296)	386
Cash and cash equivalents beginning of period	3,052	2,000
	<u>3,052</u>	<u>2,000</u>
Cash and cash equivalents end of period	\$ 2,756	\$ 2,386

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 2002 AND 2001**

(In thousands)

	<u>2002</u>	<u>2001</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 34,614	\$33,691
Adjustments:		
Depreciation and other intangible amortization	11,453	10,222
Goodwill amortization	—	9,073
Provision for bad debts	7,802	4,287
(Gain) loss on sale of assets	(184)	45
Gain on sale of business	—	(718)
Increase in deferred income taxes	(739)	(1,681)
Decrease (increase) in trade accounts receivable	26,652	(4,279)
Increase in inventories	(1,523)	(1,602)
Increase in prepaid expenses and other current assets	(3,096)	(5,548)
Increase in other assets	(2,053)	(982)
Decrease in income taxes payable	(138)	(1,518)
Increase in retirement plans accrual	746	1,900
Increase (decrease) in insurance claims liability	3,542	(2,468)
(Decrease) increase in trade accounts payable and other accrued liabilities	(13,926)	13,299
Total adjustments to net income	<u>28,536</u>	<u>20,030</u>
Net cash provided by operating activities	<u>\$ 63,150</u>	<u>\$53,721</u>
Supplemental data:		
Non-cash investing activities:		
Common stock issued for net assets of business acquired	<u>\$ 1,371</u>	<u>\$ 1,666</u>

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments which are necessary to present fairly ABM Industries Incorporated and subsidiaries (the Company) financial position as of July 31, 2002, the results of operations for the three and nine months then ended, and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Form 10-K, as amended, for the fiscal year ended October 31, 2001, as filed with the Securities and Exchange Commission.

2. Stock Split

On March 12, 2002, the Company's Board of Directors approved a 2-for-1 split of its common stock in the form of a stock dividend of one additional share for each share held pre-split, payable 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. A total of \$249,140 was reclassified from the Company's additional paid in capital account to the Company's common stock account. All shares and per share amounts have been restated to retroactively reflect the stock split.

3. Treasury Stock

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. As of July 31, 2002, the Company had purchased 900,000 shares at a cost of \$16,670,000.

4. Revenue Presentation — Adoption of Emerging Issues Task Force Issue No. 01-14

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 \$51,319,000 and \$50,464,000 for the three months ended July 31, 2002 and 2001, respectively, and \$151,884,000 and \$149,003,000 for the nine months ended July 31, 2002 and 2001, respectively. This presentation change has no impact on operating profits or net income.

5. Goodwill — Adoption of Statement of Financial Accounting Standards No. 142

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 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 and, in certain circumstances, between annual tests. As of July 31, 2002, no impairment of the Company’s goodwill carrying value has been indicated. As of July 31, 2002, all other intangible assets, consisting principally of contract rights with a net book value of \$3,730,000 are included in other assets and will continue to be amortized over the contract periods.

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The details for the change in goodwill are shown below (in thousands):

	July 31, 2002
Beginning balance	\$113,199
Acquisitions	46,505
Earnouts	6,171
Ending balance	\$165,875

Transitional disclosure of earnings excluding goodwill amortization is as follows (in thousands except per share amounts):

	Three months ended July 31,	
	2002	2001
Net income	\$12,634	\$13,233
Goodwill amortization (after tax)	—	1,919
Adjusted net income	12,634	15,152
Preferred stock dividends	—	(128)
Adjusted net income available to common stockholders	\$12,634	\$15,024
Net income per common share — basic:		
Net income	\$ 0.26	\$ 0.27
Goodwill amortization	—	0.04
Adjusted net income	\$ 0.26	\$ 0.31
Net income per common share — diluted:		
Net income	\$ 0.25	\$ 0.26
Goodwill amortization	—	0.04
Adjusted net income	\$ 0.25	\$ 0.30
Average common shares outstanding — basic	49,059	48,012
Average common shares outstanding — diluted	51,179	50,676

	Nine months ended July 31,	
	2002	2001
Net income	\$34,614	\$33,691
Goodwill amortization (after tax)	—	5,625
Adjusted net income	34,614	39,316
Preferred stock dividends	—	(384)
Adjusted net income available to common stockholders	\$34,614	\$38,932
Net income per common share — basic:		
Net income	\$ 0.71	\$ 0.70
Goodwill amortization	—	0.12
Adjusted net income	\$ 0.71	\$ 0.82
Net income per common share — diluted:		
Net income	\$ 0.68	\$ 0.67
Goodwill amortization	—	0.11
Adjusted net income	\$ 0.68	\$ 0.78
Average common shares outstanding — basic	49,093	47,340
Average common shares outstanding — diluted	51,117	49,806

6. 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 net income per common share is as follows (in thousands except per share amounts):

	Three months ended July 31,	
	2002	2001
Net income	\$12,634	\$13,233
Preferred stock dividends	—	(128)
Net income available to common stockholders	\$12,634	\$13,105
Average common shares outstanding — basic	49,059	48,012
Effect of dilutive securities:		
Stock options	2,120	2,544
Other	—	120
Average common shares outstanding — diluted	51,179	50,676
Net income per common share — basic	\$ 0.26	\$ 0.27
Net income per common share — diluted	\$ 0.25	\$ 0.26

	Nine months ended July 31,	
	2002	2001
Net income	\$34,614	\$33,691
Preferred stock dividends	—	(384)
Net income available to common stockholders	\$34,614	\$33,307
Average common shares outstanding — basic	49,093	47,340
Effect of dilutive securities:		
Stock options	2,024	2,346
Other	—	120
Average common shares outstanding — diluted	51,117	49,806
Net income per common share — basic	\$ 0.71	\$ 0.70
Net income per common share — diluted	\$ 0.68	\$ 0.67

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. For the nine months ended July 31, 2002, options to purchase approximately 381,000 shares of common stock at a weighted average exercise price of \$18.36 were excluded from the computation. For the nine months ended July 31, 2001, options to purchase approximately 499,000 shares of common stock at a weighted average exercise price of \$18.35 were excluded from the computation.

7. Debt

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 plus a spread, or prime rate for overnight borrowing. As of July 31, 2002, the total amount outstanding was \$112.7 million, which was comprised of Eurodollar loans in the amount of \$15.0 million and standby letters of credit of \$97.7 million. The agreement requires the Company to meet certain financial ratios and places some limitations on outside borrowings.

8. Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) at July 31, 2002 and October 31, 2001 consists of foreign currency translation adjustments. Comprehensive income for the three and nine month periods ended July 31, 2002 approximated net income.

9. Acquisitions

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. 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. The total cost of these 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 unaudited condensed 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 acquisition cost was \$41,001,000, which included the assumption of liabilities totaling \$4,194,000, plus contingent payments. Of the total cost, \$39,387,000 was allocated to goodwill. Contingent payments are payable over a three-year period commencing July 13, 2002. The

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first two annual payments will be equal to fifty percent of Lakeside's Adjusted Earnings Before Interest Taxes Depreciation and Amortization for each year of the two-year period from July 13, 2002 through July 12, 2004 while the final payment will be equal to \$5,304,000 provided that the gross revenues of Lakeside during the one-year period from July 13, 2004 through July 12, 2005 are equal to or greater than \$131,200,000. Pro forma information for this acquisition is shown at the end of this section.

The operations of the acquired businesses have been included in the Company's financial statements from the respective dates of acquisition.

During the nine months ended July 31, 2002, contingent payments in cash and common shares were made on prior period acquisitions as provided by the respective purchase agreements. Total cash paid was \$4,800,000 and common shares with a fair market value of \$1,371,000 at the date of issuance were issued on January 30, 2002. These amounts were added to goodwill.

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

	Three months ended July 31,					
	2002			2001		
	ABM	Lakeside	Pro Forma	ABM	Lakeside	Pro Forma
	(in thousands except per share amounts)					
Revenues	\$549,477	\$33,849	\$583,326	\$542,918	\$38,525	\$581,443
Operating and SG&A expense	533,522	31,590	565,112	518,500	36,137	554,637
Interest expense	229	455	684	521	666	1,187
Goodwill amortization	—	—	—	3,095	656	3,751
Total expenses	533,751	32,045	565,796	522,116	37,459	559,575
Income before income taxes	15,726	1,804	17,530	20,802	1,066	21,868
Income taxes	3,092	655	3,747	7,569	405	7,974
Net income	12,634	1,149	13,783	13,233	661	13,894
Net income per common share:						
Basic	\$ 0.26	—	\$ 0.28	\$ 0.27	—	\$ 0.29
Diluted	\$ 0.25	—	\$ 0.27	\$ 0.26	—	\$ 0.27
Average number of common shares outstanding:						
Basic	49,059	—	49,050	48,012	—	48,012
Diluted	51,179	—	51,179	50,676	—	50,676

Nine months ended July 31,

	2002			2001		
	ABM	Lakeside	Pro Forma	ABM	Lakeside	Pro Forma
	(in thousands except per share amounts)					
Revenues	\$1,607,179	\$113,460	\$1,720,639	\$1,602,370	\$112,075	\$1,714,445
Operating and SG&A expense	1,555,275	106,413	1,661,688	1,536,727	104,912	1,641,639
Interest expense	726	1,365	2,091	2,230	1,997	4,227
Goodwill amortization	—	—	—	9,073	1,969	11,042
Total expenses	1,556,001	107,778	1,663,779	1,548,030	108,878	1,656,908
Income before income taxes	51,178	5,682	56,860	54,340	3,197	57,537
Income taxes	16,564	2,063	18,627	20,649	1,215	21,864
Net income	34,614	3,619	38,233	33,691	1,982	35,673
Net income per common share:						
Basic	\$ 0.71	—	\$ 0.78	\$ 0.70	—	\$ 0.75
Diluted	\$ 0.68	—	\$ 0.75	\$ 0.67	—	\$ 0.71
Average number of common shares outstanding:						
Basic	49,093	—	49,093	47,340	—	47,340
Diluted	51,117	—	51,117	49,806	—	49,806

10. Segment Information

The Company's operations have been grouped into seven segments as defined under Statement of Financial Accounting Standards (SFAS) No. 131. The results of operations from the segments for the three and nine months ended July 31, 2002, as compared to the three and nine months ended July 31, 2001, are more fully described below. Included in Other Divisions are ABM Service Network, CommAir Mechanical Services, and Easterday Janitorial Supply Company, which was sold on April 30, 2001. For comparative purposes, goodwill amortization has been segregated from the operating profits of the divisions for the three and nine months ended July 31, 2001 and reported separately.

	Three months ended July 31,	
	2002	2001
	(In thousands)	
Sales and Other Income:		
ABM Janitorial Services	\$295,556	\$293,989
ABM Engineering Services	43,273	42,537
Ampco System Parking	91,912	92,041
American Commercial Security Services	36,603	25,918
Amtech Lighting Services	31,868	41,103
Amtech Elevator Services	29,492	31,408
Other Divisions	14,960	15,597
Corporate	88	325
	<u>\$543,752</u>	<u>\$542,918</u>
Operating Profit (Loss):		
ABM Janitorial Services	\$ 12,442	\$ 18,231
ABM Engineering Service	2,626	2,485
Ampco System Parking	2,077	1,708
American Commercial Security Services	1,468	843
Amtech Lighting Services	1,880	3,465
Amtech Elevator Services	1,202	1,740
Other Divisions	(2,159)	1,351
Corporate Expenses	(9,306)	(5,405)
Goodwill Amortization	—	(3,095)
	<u>\$ 10,230</u>	<u>\$ 21,323</u>
Gain on Insurance Claim	5,725	—
Interest Expense	(229)	(521)
	<u>\$ 15,726</u>	<u>\$ 20,802</u>

	Nine months ended July 31,	
	2002	2001
	(In thousands)	
Sales and Other Income:		
ABM Janitorial Services	\$ 866,585	\$ 864,421
ABM Engineering Services	129,610	126,948
Ampco System Parking	269,751	275,141
American Commercial Security Services	103,397	74,641
Amtech Lighting Services	96,506	104,257
Amtech Elevator Services	84,219	91,197
Other Divisions	46,648	65,242
Corporate	438	523
	<u>\$1,597,154</u>	<u>\$1,602,370</u>

Operating Profit (Loss):		
ABM Janitorial Services	\$ 39,612	\$ 49,889
ABM Engineering Services	7,286	6,975
Ampco System Parking	4,908	5,806
American Commercial Security Services	3,728	1,953
Amtech Lighting Services	5,884	7,860
Amtech Elevator Services	2,726	4,706
Other Divisions	(1,387)	4,020
Corporate Expenses	(20,878)	(15,566)
Goodwill Amortization	—	(9,073)
	<hr/>	<hr/>
Operating Profit	\$ 41,879	\$ 56,570
Gain on Insurance Claim	10,025	—
Interest Expense	(726)	(2,230)
	<hr/>	<hr/>
Income Before Income Taxes	\$ 51,178	\$ 54,340
	<hr/>	<hr/>

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

On March 12, 2002, the Company's Board of Directors approved a 2-for-1 split of the Company's common stock in the form of a stock dividend of one additional share for each share held pre-split, payable to stockholders of record on March 29, 2002. A total of 24.9 million shares of common stock were issued in connection with the stock split. The par value of the shares was not changed from \$0.01. A total of \$249,140 was reclassified from the Company's additional paid in capital account to the Company's common stock account. All shares and per share amounts have been restated to retroactively reflect 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 plus a spread, or prime rate for overnight borrowing. As of July 31, 2002, the total amount outstanding was \$112.7 million, which was comprised of Eurodollar loans in the amount of \$15.0 million and standby letters

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of credit of \$97.7 million. The agreement requires the Company to meet certain financial ratios and places some limitations on outside borrowings. The Company's effective weighted average interest rate for all Eurodollar, Prime, and Fixed Rate borrowings for the nine months ended July 31, 2002 was 3.24%.

At July 31, 2002, working capital was \$219.4 million, as compared to \$229.5 million at October 31, 2001. The largest component of working capital consists of trade accounts receivable that totaled \$334.1 million at July 31, 2002 compared to \$367.2 million at October 31, 2001. These amounts were net of allowances for uncollectible accounts of \$8.7 million and \$9.4 million at July 31, 2002 and October 31, 2001, respectively. As of July 31, 2002, accounts receivable that were over 90 days past due had decreased \$4.0 million to \$51.9 million (15% of the total outstanding) from \$55.9 million (15% of the total outstanding) at October 31, 2001, primarily due to increased collection efforts.

During the nine months ended July 31, 2002, net cash provided by operating activities amounted to \$63.2 million, as compared to \$53.7 million for the nine months ended July 31, 2001. The increase in cash provided from operations is primarily due to greater cash collections in the nine months ended July 31, 2002, compared with the nine months ended July 31, 2001, and receipt of \$6.5 million proceeds from the September 11 insurance claim in the first nine months of 2002. The additional insurance settlement of \$6.8 million agreed upon in July is expected to be received by the end of September.

Net cash used in investing activities was \$54.6 million in the nine months ended July 31, 2002, compared to \$21.4 million in the same period of 2001. The increase is primarily due to the acquisition of Lakeside Building Maintenance in July 2002.

Net cash used in financing activities was \$8.8 million in the nine months ended July 31, 2002, compared to \$31.9 in the nine months ended July 31, 2001. The decrease is primarily due to the use of cash in the acquisition of Lakeside in lieu of purchasing additional shares of stock or paying down debt.

The Company advanced \$1.2 million on December 19, 2001, \$600,000 on April 12, 2002, and \$700,000 on August 1, 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

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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. On or before June 13, 2003, outstanding amounts under this note are convertible, at the option of the Company, into Series D preferred stock at the price defined in the SiteStuff, Inc. certificate of incorporation.

The Company self-insures, generally up to \$500,000 per occurrence, certain insurable risks such as general liability, property damage and workers' compensation. It is the Company's policy to annually retain 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 July 31, 2002, future contractual payments are 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	\$189,058	\$47,119	\$53,531	\$27,045	\$61,363

Additionally, the Company has the following commercial commitments:

(In thousands)	Amount 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	\$97,652	\$97,652	—	—	—
Financial Responsibility Bonds	\$ 1,999	\$ 1,999	—	—	—
Total	\$99,651	\$99,651	—	—	—

September 11 Insurance Claims

The Company has commercial insurance policies covering business interruption, property damage and other losses related to the September 11 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 (4% of ABM's consolidated sales for 2001). The Company has been working with its carrier, Zurich Insurance, in providing preliminary claim information regarding the property damage and lost business income, and as described further below 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 a Contingent Business Interruption Sub-limit within the policy of \$10 million. The trial date is now set for January 2003. Based on review of the policy and consultation with coverage counsel and other claim experts, 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 July 31, 2002, Zurich had agreed to pay a total of \$13.3 million in insurance proceeds, of which \$10 million is for business interruption and \$3.3 million for property damage. The Company realized a pretax gain of \$4.3 million in the second quarter of 2002 on \$6.5 million proceeds received in April 2002 and an additional \$5.7 million in the third quarter of 2002 from the \$6.8 million settlement reached in July 2002, for a total pretax gain of \$10 million in the first nine months of 2002. The second settlement is expected to be received by the end of September.

Acquisitions

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. The terms included a cash payment of \$2.8 million made at closing plus five annual contingent payments based on variable gross profits to be made during the sixth through the tenth year after the effective closing date.

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. The terms included a \$6.0 million cash payment at closing plus annual contingent payments based on operating profit to be made over four years.

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On July 12, 2002, the Company acquired the operations of Lakeside Building Maintenance, Inc. and an affiliated company. With annual revenues exceeding \$160 million, Chicago-based Lakeside was the largest privately-owned janitorial contractor in the Midwest, with operations in Chicago, Cincinnati, Cleveland, Columbus, Detroit, Indianapolis, Louisville, Milwaukee, Nashville and St. Louis. Lakeside's chairman and president are expected to continue to manage Lakeside separate and apart from the Company's other janitorial subsidiaries operating in the Midwest for the first three years after closing. The total acquisition cost was \$41 million which includes the assumption of liabilities of \$4.2 million, plus contingent payments payable over the 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 for each year of the two-year period from July 13, 2002 through July 12, 2004 while the final payment will be equal to \$5,304,000 provided that the gross revenues of Lakeside during the one-year period from July 13, 2004 through July 12, 2005 are equal to or greater than \$131,200,000. After the third year, Lakeside will be combined with ABM's other janitorial operations in the Midwest.

Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements of the Company. All information in the discussion and references to the years and quarters are based on the Company's fiscal year and third quarter which ended on October 31 and July 31, respectively.

Three Months Ended July 31, 2002 vs. Three Months Ended July 31, 2001

Net income for the third quarter of 2002 was \$12.6 million (\$0.25 per diluted share), a decrease of 4.5% from the net income of \$13.2 million (\$0.26 per diluted share) for the third quarter of 2001, which included \$2.0 million (\$0.04 per diluted share) of after-tax goodwill amortization expense.

The results for the third quarter of 2002 included a \$5.7 million pretax gain from an agreement with Zurich Insurance for additional payments of \$5.0 million for business interruption and \$1.8 million for property damage related to the World Trade Center; a \$2.9 million income tax benefit principally from tax liability adjustments made after the filing of the 2001 income tax returns; a \$3.1 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 Facility Services Division; a \$1 million

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pretax write-down of work-in-progress; a \$686,000 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; and \$445,000 of professional fees related to the World Trade Center insurance claim. Additionally, the bad debt expense for the third quarter of 2002 was \$3.8 million higher than the third quarter of 2001 primarily due to increased bankruptcies. Lastly, the business lost at the World Trade Center had higher gross margins than those realized on newly added business. For the three months ended July 31, 2001, the Company realized pretax income of \$2.6 million on revenue of \$20.3 million from the World Trade Center and the adjacent building.

Sales and other income (hereinafter called sales) for the third quarter of 2002 of \$543.8 million increased slightly by 0.2% compared to \$542.9 million for the third quarter of 2001 despite the loss of the World Trade Center. Offsetting the loss of the World Trade Center in the third quarter of 2002 were sales from the newly acquired operations of Lakeside Building Maintenance in the Midwest and other new business, principally in the Security Division.

As a percentage of sales, operating expenses and cost of goods sold were 89.1% for the third quarter of 2002, compared to 88.3% for the third quarter of 2001. Consequently, as a percentage of sales, the Company's gross profit (sales minus operating expenses and cost of goods sold) of 10.9% in the third quarter of 2002 was lower than the gross profit of 11.7% for the third quarter of 2001. The decline was due primarily to the above-mentioned write-down in work in process, increase in New York City operating expenses and loss of the high-margin World Trade Center account.

Selling, general and administrative expenses for the third quarter of 2002 were \$49.2 million compared to \$38.9 million for the corresponding three months of 2001. The increase in selling, general and administrative expenses was primarily due to \$3.1 million of costs associated with the above-mentioned personnel changes, \$3.8 million of higher bad debt expense due to increased bankruptcies, and \$445,000 of professional fees associated with the World Trade Center insurance claim. As a percentage of sales, selling, general and administrative expenses increased to 9.1% for the three months ended July 31, 2002 from 7.2% for the same period in 2001.

Interest expense was \$229,000 for the third quarter of 2002 compared to \$521,000 for the same period in 2001, a decrease of \$292,000. This decrease was primarily due to lower weighted average borrowings and interest rates during the third quarter of 2002, compared to the same period in 2001.

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During the third quarter of 2002, the Company completed the filing of its state and federal income tax returns for the prior fiscal year. As a result, the third quarter 2002 income taxes included a \$2.0 million non-recurring benefit from the adjustment of the prior year's estimated tax liabilities to the tax returns as filed, which included the elimination of a \$1.5 million deferred federal tax liability that is no longer required. Additionally, based principally on a lower state tax rate for 2001 and on the tax credits generated through July 31, 2002, the Company lowered its estimated combined federal and state tax rate for 2002 from 38% for the first six months to 36.3% for the year. In the third quarter of 2001, the Company made a similar determination, estimating its combined tax rate at 38.0% versus the 39.0% used in the first six months of 2001. Accordingly, third quarter income taxes included a \$638,000 benefit in 2002 and a \$336,000 benefit in 2001 from applying the lower rate to the respective year's first half results. As a result of the above-mentioned adjustments, the effective tax rates were 19.7% and 36.4% for the three months ended July 31, 2002 and 2001, respectively.

Segment Information

The results of operations from the Company's reportable operating divisions for the three months ended July 31, 2002, compared to the same period in 2001 are more fully described below. The comparison of the three-month periods are related to the sales and operating profits in Note 10, which exclude goodwill amortization from both periods, to provide a comparable analysis.

Sales for ABM Janitorial Services (also known as American Building Maintenance) were 0.5% higher in the third quarter of 2002 as compared to the same quarter of 2001 due to the \$8.6 million contribution from the newly acquired Lakeside Building Maintenance in July 2002. Sales in the Northeast, Southeast and Northwest regions, however, continued to be lower mostly due to direct and indirect effects of the events of September 11 and the elimination of non-profitable contracts in the Southeast. Operating profits in the third quarter of 2002 were 31.8% lower than the same period in 2001 due to the loss of the higher margin business in the Northeast region and \$686,000 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 was \$2.5 million higher in the third quarter of 2002 compared to the third quarter of 2001 due to an increase in bankruptcies.

Sales for ABM Engineering Services increased 1.7% from the third quarter of 2001 to the third quarter of 2002 due to an increased customer base in all regions. This was partially offset

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by the lost revenues from the World Trade Center contract. Operating profits increased 5.7% from the third quarter of 2001 to the third quarter of 2002 primarily due to increased business.

Ampco System Parking (also known as Ampco System Airport Parking and Ampco Express Airport Parking) sales decreased by 0.1%, while its operating profits increased 21.6% during the third quarter of 2002 compared to the third quarter of 2001. The decrease in sales reflects the continuing effects of the terrorist attacks of September 11, 2001 on sales at airport and hotel facilities. The increase in operating profits is due to new business and renegotiated contracts with higher margins.

American Commercial Security Services sales increased 41.2% due to the acquisitions of Sundown Security in June 2001, Triumph Security in January 2002, and Foulke Security in February 2002, as well as winning several large accounts including Microsoft. Tag sales, or sales in addition to the contractual fees, were also higher due to heightened security after the September 11 terrorist attack. Operating profits increased 74.1% due to increased sales and lower costs due to tight control over labor and operating expenses.

Amtech Lighting Services reported a 22.5% decrease in sales during the third quarter of 2002 compared to the third quarter of 2001, with a 45.7% decrease in profits. 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 6.1% in the third quarter of 2002 compared to the same period in 2001 primarily due to lost service contacts in San Francisco and Orange County and lower modernization sales. Operating profits decreased by 30.9% for the third quarter of 2002 compared to the corresponding quarter of 2001, primarily due to increased modernization material and labor costs, particularly in the Chicago office, as well as higher operating expenses including data processing, insurance and bad debt expense.

Sales for Other Divisions were down 4.1% for the third quarter and the results were a loss of \$2.2 million in the third quarter of 2002 compared to a profit of \$1.4 million in the same period last year. The loss for the quarter was primarily due to lower revenues from fewer projects, a write-down of work-in-progress and an additional bad debt provision totaling approximately \$1 million in the Mechanical Division, a \$1.3 million bad debt provision in the Facility Services Division for the Consolidated Freightways account which declared bankruptcy in September, as well as \$400,000 in

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costs associated with the replacement of the President of the Facility Services Division.

The increase in Corporate expenses includes \$2.7 million pretax provision for costs associated with the elimination of the Chief Administrative Officer position and the early retirement of the Corporate General Counsel, \$445,000 of professional fees related to the World Trade Center insurance claim, and higher insurance costs.

Nine Months Ended July 31, 2002 vs. Nine Months Ended July 31, 2001

Net income for the first nine months of 2002 was \$34.6 million (\$0.68 per diluted share), an increase of 2.7% from the net income of \$33.7 million (\$0.67 per diluted share) for the first nine months of 2001, which included \$5.6 million (\$0.11 per diluted share) of after tax goodwill amortization expense.

The results for the first nine months of 2002 included a \$10.0 million pretax gain from an agreement with Zurich Insurance for payments of \$10 million for business interruption and \$3.3 million for property damage related to the World Trade Center; a \$2.9 million income tax benefit principally from the tax liability adjustments made after the filing of the 2001 income tax returns; a \$3.1 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 Facility Services Division; a \$2.2 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; a \$1.5 million pretax write-down of work-in-progress; and \$733,000 of professional fees related to the World Trade Center insurance claim. Additionally, the bad debt expense for the first nine months of 2002 was \$3.5 million higher than the first nine months of 2001 primarily due to increased bankruptcies. Lastly, the business lost at the World Trade Center had higher gross margins than those realized on newly added business. For the nine months ended July 31, 2001, the Company realized pretax income of \$7.6 million on revenue of \$61.3 million from the World Trade Center and the adjacent building. The results for the first nine months of 2001 also included a pretax gain of \$718,000 from the sale of Easterday Janitorial Supply in April 2001.

Sales for the first nine months of 2002 of \$1,597.2 million decreased by only 0.3% compared to \$1,602.4 million for the first nine months of 2001 despite the loss of the World Trade Center and Easterday Janitorial Supply. Easterday contributed \$16 million to sales for the first six months of 2001. Offsetting the loss of the

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World Trade Center and Easterday sales in the first nine months of 2002 were sales from the newly acquired operations of Lakeside Building Maintenance in the Midwest and other new business, primarily in the Security Division.

As a percentage of sales, operating expenses and cost of goods sold were 89.4% for the first nine months of 2002, compared to 88.4% for the same period of 2001. Consequently, as a percentage of sales, the Company's gross profit of 10.6% in the first nine months of 2002 was lower than the gross profit of 11.6% for the first nine months of 2001. The decline was due primarily to the sale of Easterday Janitorial Supply and loss of the World Trade Center account, both of which had higher gross profit margins than those initially realized on newly added business. Also, the operating expenses for the first nine months of 2002 included the above-mentioned write-down in work-in-progress, increase in New York City operating expenses, and the higher insurance expense which could not be fully absorbed through increased pricing in the first quarter of 2002.

Selling, general and administrative expenses for the first nine months of 2002 were \$127.6 million compared to \$120.8 million for the corresponding nine months of 2001. The increase in selling, general and administrative expenses was primarily due to the \$3.1 million costs associated with the above-mentioned personnel changes, \$3.5 million of higher bad debt expense due to increased bankruptcies, and \$733,000 of professional expenses associated with the World Trade Center insurance claim. As a percentage of sales, selling, general and administrative expenses increased to 8.0% for the period ended July 31, 2002 from 7.5% for the same period in 2001.

Interest expense was \$726,000 for the first nine months of 2002 compared to \$2.2 million for the same period in 2001, a decrease of \$1.5 million. This decrease was primarily due to lower weighted average borrowings and interest rates during the first nine months of 2002, compared to the same period in 2001.

During the third quarter of 2002, the Company completed the filing of its state and federal income tax returns for the prior fiscal year. As a result, the third quarter 2002 income taxes include a \$2.0 million non-recurring benefit from the adjustment of the prior year's estimated tax liabilities to the tax returns as filed, which includes the elimination of a \$1.5 million deferred federal tax liability that is no longer required. Additionally, based principally on a lower state tax rate for 2001 and on the tax credits generated through July 31, 2002, the Company lowered its estimated combined federal and state tax rate for 2002 from 38% for the first six months to 36.3% for the year. In the third quarter of 2001, the Company made a similar determination, estimating its

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combined tax rate at 38.0% versus the 39.0% used in the first six months of 2001. Accordingly, third quarter income taxes include a \$638,000 benefit in 2002 and a \$336,000 benefit in 2001 from applying the lower rate to the respective year's first half results. As a result of the above-mentioned adjustments, the effective tax rates are 32.4% and 38.0% for the nine months ended July 31, 2002 and 2001, respectively.

Segment Information

The results of operations from the Company's reportable operating divisions for the nine months ended July 31, 2002, compared to the same period in 2001 are more fully described below. The comparison of the nine-month periods are related to the sales and operating profits in Note 10, which exclude goodwill amortization from both periods, to provide a comparable analysis.

Sales for ABM Janitorial Services increased slightly by 0.3% in the first nine months of 2002 as compared to the same period of the prior year, due to a \$8.6 million contribution from the newly acquired Lakeside Building Maintenance. However, operating profits were down 20.6% in the first nine months of 2002 as compared to the same period of 2001 due to the loss of higher margin business in the Northeast region and \$2.2 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 was \$1.6 million higher in the first nine months of 2002 compared to the first nine months of 2001 due to an increase in bankruptcies.

Sales for ABM Engineering Services increased 2.1% for the first nine months of 2002 compared to the same period in 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 loss of work at the World Trade Center. Operating profits increased 4.5% from 2001 to 2002, due to increased business and improved profit margins at the contract level.

Ampco System Parking sales decreased by 2.0%, while its operating profits decreased 15.5% during the first nine months of 2002 compared to the first nine months of 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. The decrease in operating profits resulted from the decline in sales and increased insurance costs, which could not be fully absorbed through increased pricing.

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American Commercial Security Services sales increased 38.5% due to the acquisitions of Sundown Security in June 2001, Triumph Security in January 2002, and Foulke Security in February 2002, as well as winning several large accounts including Microsoft. Tag sales, sales in addition to the contractual fees, were also higher due to heightened security after the September 11 terrorist attack. Operating profits increased 90.9% due to increased sales and lower costs due to tight control over labor and operating expenses.

Amtech Lighting Services sales decreased by 7.4% and its operating profits decreased by 25.1% during the first nine months of 2002 compared to the corresponding nine months of 2001, primarily due to the loss of the World Trade Center account.

Sales for Amtech Elevator Services decreased by 7.7% in the first nine months of 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 42.1% decrease in operating profits for the first nine months of 2002 as compared to the corresponding nine months of 2001. This reduction in operating profits can be attributed primarily to the lost jobs, lower margins on modernization projects primarily in the Division's Chicago office, and higher operating expenses, including data processing, insurance and bad debt expense.

Sales for Other Divisions were down 28.5% and the results were a loss of \$1.4 million in the first nine months of 2002 compared to a profit of \$4.0 million in the same period last year. The loss for the nine months was primarily due to lower revenues from fewer projects, a write-down of work-in-progress and an additional bad debt provision totaling approximately \$1.5 million in the Mechanical Division, a \$1.3 million bad debt provision in the Facility Services Division for the Consolidated Freightways account which declared bankruptcy in September, as well as \$400,000 in costs associated with the replacement of the President of the Facility Services Division. Included in the results for the nine months ended July 31, 2001 was the pretax gain of \$718,000 from the sale of Easterday Janitorial Supply in the second quarter of 2001.

The increase in Corporate expenses includes \$2.7 million pretax provision for costs associated with the elimination of the Chief Administrative Officer position and the early retirement of the Corporate General Counsel, \$733,000 of professional fees related to the World Trade Center insurance claim, and higher insurance costs.

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 companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, 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

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ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for uncollectible accounts, deferred income tax asset, contingencies and litigation expense. 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 independent actuaries to annually evaluate and estimate the range of the Company's claim costs and liabilities. The Company accrues an amount that is within 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 designed to capture 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 Uncollectible 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 Tax Asset Valuation: 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 July 31, 2002, the

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deferred tax asset was \$62.9 million and no valuation allowance was recorded. Should future income be less than anticipated, the deferred tax asset may not be recoverable.

Contingencies and Litigation: The Company 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.

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 four 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; and one involving alleged potential soil contamination at a former parking facility leased by the Company in the State of Washington. 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 its results of operations. One of the four proceedings is under negotiation and a reserve of \$250,000 has been set aside for claims liability. The liability related to the other three claims is neither probable nor estimable, hence no accruals have been made related to these matters.

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's operations, (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 3. 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. 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 an insignificant amount of outstanding debt and related interest expense hence market risk in interest rate exposure in the United States is currently not material.

PART II. OTHER INFORMATION

Item 5. Other Information

In addition to approving the provision of audit services by KPMG for the fiscal year ending October 31, 2002, on September 9, 2002, the Audit Committee of the Board of Directors approved the provision of tax return preparation services for the fiscal year ended October 31, 2001 and tax consulting services for the fiscal year ending October 31, 2002 by KPMG.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 3.2 — Bylaws as amended July 24, 2002

Exhibit 10.69 — Agreement with Harry H. Kahn

Exhibit 99.1 — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 99.2 — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

On July 12, 2002, the Company filed a report on Form 8-K, which reported under Item 5 the Company's acquisition, through a wholly owned subsidiary, of the operations of Lakeside Building Maintenance, Inc. and an affiliated company.

On July 24, 2002, the Company filed a report on Form 8-K, which reported under Item 5 the Company's reorganization and reassignment of the functions of the Chief Administrative

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Officer among the Company's senior management, which position, as a result of such reorganization, no longer exists. Martinn H. Mandles, previously Chief Administrative Officer, will continue to serve as a director of the Company, as Chairman of the Board of Directors, and as a member of the Board's Executive Committee.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ABM Industries Incorporated

September 12, 2002

/s/ George B. Sundby

Senior Vice President and
Chief Financial Officer
Principal Financial Officer

September 12, 2002

/s/ Maria Placida Y. de la Pena

Vice President and Controller
Chief Accounting Officer

CERTIFICATIONS

I, Henrik C. Slipsager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABM Industries Incorporated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

Date: September 12, 2002

/s/ Henrik C. Slipsager

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

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I, George B. Sundby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABM Industries Incorporated;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

Date: September 12, 2002

/s/ George B. Sundby

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

EXHIBIT INDEX

Exhibit No.	Description
3.2	Bylaws as amended July 24, 2002
10.69	Agreement with Harry H. Kahn
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

ABM INDUSTRIES INCORPORATED

BYLAWS

As Amended July 24, 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 ten. 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 other 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.

AGREEMENT

THIS AGREEMENT ("Agreement"), is made between Harry H. Kahn ("Executive") and ABM Industries Incorporated ("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, Executive is a full-time employee and officer currently employed by ABM.

WHEREAS, ABM recognizes Executive's 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. Resignation and Retirement; Title.

(a) From the Effective Date through the Date of Resignation and Retirement (as defined below), Executive will continue to serve as Senior Vice President and General Counsel of ABM.

(b) Executive agrees to resign and retire as a full-time employee and officer of ABM. Such resignation and retirement shall become effective, without further action by Executive, on a date to be determined by notice in writing from ABM's Chairman of the Board and Chief Administrative Officer ("CAO") to Executive ("Date of Resignation and Retirement"), but in no event shall the Date of Resignation and Retirement occur later than October 31, 2002. Executive agrees that on or before the Date of Resignation and Retirement, he shall turn over to ABM all Company confidential files, records, and other documents. In addition, Executive shall return all property in his possession owned by ABM, including any motor vehicles, equipment or supplies.

(c) Executive may voluntarily terminate his employment with ABM as Senior Vice President and General Counsel only upon thirty days' prior written notice to ABM.

2. On-Call Employment.

(a) From the Date of Resignation and Retirement through December 31, 2004, Executive shall be retained by ABM as an on-call employee with the title "Of Counsel." As Of Counsel, Executive shall provide ABM with such occasional executive or managerial services as reasonably requested by ABM's CAO or President and Chief Executive

Officer ("CEO"), including providing assistance in connection with the transition to a new General Counsel.

(b) Executive agrees that from the Date of Resignation and Retirement through December 31, 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 unavailability because of absence from the State of California, shall not affect Executive's right to receive the compensation set forth in Section 3.

3. Payment of Good and Valuable Consideration. In consideration of Executive's acceptance of this Agreement and the release contained herein, ABM will provide the following:

(a) From the Effective Date through October 31, 2003, Executive shall be paid a salary ("Salary") of Two Hundred Seventy Eight Thousand Six Hundred Twenty Five Dollars (\$278,625) per year, at the monthly rate of \$23,219 payable semi-monthly.

(b) Executive Shall be paid a bonus ("Bonus") based on the profit ("Profit") for the fiscal year ending October 31, 2002 and the fiscal year ending October 31, 2003, as follows:

(i) Such Bonus for each such fiscal year shall be 0.1399% of ABM's Profit on a pro-rata basis.

(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 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, ABM's Board of Directors ("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 bonuses generally for the other Senior Vice Presidents 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) The Chief Financial Officer for ABM shall calculate the Profit and Bonus for purposes of this Agreement. ABM shall pay Executive 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 Executive and ABM.

(v) Notwithstanding the foregoing and unless generally waived as to all Senior Vice Presidents of ABM, no Bonus for any fiscal year of ABM shall be payable unless ABM's 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.

(vi) Executive 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.

(c) From the Effective Date through October 31, 2003, Executive shall receive the then current fringe benefits generally provided by ABM to all of its full-time employees who are Senior Vice Presidents; provided, that (i) Executive shall not receive any additional stock option grants, and (ii) Executive shall not be entitled to receive or participate in any additional retirement benefit other than as described in Paragraph X.3. of the Corporate Executive Employment Agreement, dated as of November 1, 1999, between Executive and ABM. Such fringe benefits may include a 401(k) employee savings plan, deferred compensation plan, employee stock purchase plan, 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 ABM policy at all times. ABM 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 all Senior Vice Presidents of ABM.

(d) From November 1, 2003 through December 31, 2004, ABM shall continue to pay Executive's monthly Salary pursuant to Section 3(a). Such salary shall be subject to a right of offset, dollar for dollar, as against any compensation received by Executive from employment (including on an independent contractor basis) or self-employment in exchange for services performed by Executive during the period from November 1, 2003 through December 31, 2004. From November 1, 2003 through December 31, 2004 ABM shall continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of the premiums due thereunder) and employee stock

purchase plan to which Executive would be entitled as a full-time employee, with the understanding and agreement by Executive that such monthly salary, group insurance and employee stock purchase plan shall constitute the full extent of ABM's obligation to compensate Executive. Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance and employee stock purchase plan.

(e) From the Effective Date through December 31, 2004, ABM shall pay directly or reimburse Executive for reasonable business expenses of ABM incurred by Executive in connection with ABM business and approved in writing by the CAO, upon presentation to such person by Executive within sixty (60) days after incurring such expense or 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) Any tax obligations of Executive and tax liability therefore, 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 Executive's responsibility and liability. ABM will report each payment provided for in this Section 3 on form W-2 for the tax year to which the payment was made.

4. No Other Benefits; No Admission of Liability. Executive acknowledges that except for any vested or vesting benefits and except as specifically set forth in Section 3, Executive 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 Executive.

5. Business Conduct. While employed by ABM (in either a full-time or on call capacity), 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 ABM, including the following:

(a) GOOD FAITH: Executive shall not act in any way contrary to the best interest of ABM.

(b) BEST EFFORTS: Prior to the Date of Resignation and Retirement, Executive shall devote full working time and attention to ABM, and shall not at any time from the Effective Time through December 31, 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 Executive may own up to five percent (5%) of any such publicly-held business(es), provided that Executive (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: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by ABM or are in any way untrue.

(d) 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 California and a driver's permit issued by ABM whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify ABM in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.

6. Indemnification Against Claims. ABM agrees to indemnify and hold Executive 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 employment by ABM to the extent other officers would be so indemnified.

7. Goodwill and Proprietary Information.

(a) Executive agrees to utilize and further ABM's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that ABM may disclose to Executive and Executive 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 Company's customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (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) Executive agrees that such Proprietary Information and Goodwill have unique value to Company, 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 Executive unless ABM 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 ABM would be a breach of such trust and confidence and in violation of Executive's Duty of Loyalty to ABM.

8. Restrictive Covenants. In recognition of Section 7, Executive hereby agrees that from the Effective Date through December 31, 2004, and thereafter as specifically agreed herein:

(a) 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 ABM.

(b) 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, ABM.

(c) Executive agrees that at all times he shall not 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) 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 ABM within the one (1) year period prior to December 31, 2004.

(e) 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.

9. Non-Disparagement. Both Executive 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, Executive 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.

10. Cooperation. Executive agrees to reasonably 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 of Resignation and Retirement or that may arise thereafter regarding events prior to the Date of Resignation and Retirement.

11. No Other Claims. Executive represents and warrants that he has not filed against ABM or any of its representatives any claim (other than with respect to any applicable group insurance benefit), complaint, charge or suit with any federal, state or other agency, court, board, office or other forum or entity, including any application for workers' compensation benefits. Executive agrees that he will not, at any time hereafter, file any such claim, complaint, charge or suit based upon circumstances arising before the Effective Date, other than a claim arising from a breach by ABM of this Agreement (which shall be subject to Section 12) and other than a claim with respect to any applicable group insurance benefit, 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 shall entitle ABM to damages as provided by law and shall relieve ABM of all obligations to Executive as provided in this Agreement.

12. General Release.

(a) Executive, 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 Executive 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: (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 Executive 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 Executive 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 1976, as amended, the Americans with Disabilities Act, State antidiscrimination 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 Executive 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 Executive 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.

(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.

Executive represents that he has read and understood the provisions of California Civil Code Section 1542.

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 Executive and ABM or its directors, officers, employees and agents regarding Executive's 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 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 court of California in and for the County of San Francisco for the purpose of enforcing this Agreement.

14. Confidentiality of Agreement.

(a) Executive 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. Executive 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 and professional representatives; provided, that disclosure to his immediate family 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 Executive 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 terminate any payment due under this Agreement or take any other action legally allowable.

15. Death of Executive. This Agreement shall automatically terminate upon the death of Executive. ABM shall pay when due to 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 death occurs.

16. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and ABM and their respective heirs, administrators, representatives, executors, successors and assigns. Executive hereby designates his wife, Candace Kahn, as his beneficiary under this Agreement.

17. Attorneys' Fees. Each party shall bear its own costs 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 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. 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, Executive has up to 21 days from April 8, 2002 to consider and sign this Agreement, although Executive may accept it at any time within those 21 days. Executive hereby acknowledges that he has consulted an attorney or been advised to consult an attorney about this Agreement. Once Executive accepts the terms of this Agreement and signs this Agreement, he has seven days to revoke his acceptance. To revoke this Agreement, Executive must send to the CAO a written statement of revocation by registered mail, return receipt requested. If he does not 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.

EXECUTIVE: 2444 Leavenworth St.
San Francisco, CA 94133

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."

25. Entire Agreement. This Agreement sets forth the entire agreement between the parties as to the subject matter hereof and supersedes any and all prior agreements or understandings between the parties written or oral. 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 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: April 8, 2002

/s/ HARRY H. KAHN

Harry H. Kahn

Date: April 8, 2002

ABM INDUSTRIES INCORPORATED

By: /s/ HENRIK C. SLIPSAGER

Name: Henrik C. Slipsager
Title: President and Chief
Executive Officer

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

In connection with the Quarterly Report of ABM Industries Incorporated (the "Company") on Form 10-Q for the period ended July 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.

Date: September 12, 2002

/s/ Henrik C. Slipsager

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

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

In connection with the Quarterly Report of ABM Industries Incorporated (the "Company") on Form 10-Q for the period ended July 31, 2002, 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.

Date: September 12, 2002

/s/ George B. Sundby

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