

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 31, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1369354
(I.R.S. Employer
Identification No.)

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

94111
(Zip Code)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of common stock outstanding as of February 28, 2005: 49,729,175.

ABM INDUSTRIES INCORPORATED
FORM 10-Q
For the three months ended January 31, 2005

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)****ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)	January 31, 2005	October 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ 62,975	\$ 63,369
Trade accounts receivable, net	331,707	317,713
Inventories	22,434	22,260
Deferred income taxes	40,862	40,918
Prepaid expenses and other current assets	46,590	38,721
Total current assets	<u>504,568</u>	<u>482,981</u>
Investments and long-term receivables	9,949	10,466
Property, plant and equipment, at cost		
Land and buildings	5,065	5,054
Transportation equipment	14,207	14,126
Machinery and other equipment	78,835	78,163
Leasehold improvements	14,806	14,307
	<u>112,913</u>	<u>111,650</u>
Less accumulated depreciation and amortization	<u>(80,479)</u>	<u>(80,296)</u>
Property, plant and equipment, net	32,434	31,354
Goodwill, net of accumulated amortization	234,995	227,447
Other intangibles, at cost		
Less accumulated amortization	(9,344)	(7,988)
Other intangibles, net	<u>26,977</u>	<u>22,290</u>
Deferred income taxes	48,435	48,802
Other assets	17,546	19,184
Total assets	<u>\$874,904</u>	<u>\$842,524</u>

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

(in thousands, except share amounts)	January 31, 2005	October 31, 2004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$ 44,871	\$ 45,235
Income taxes payable	12,353	10,065
Accrued liabilities:		
Compensation	65,311	64,826
Taxes — other than income	25,346	18,366
Insurance claims	71,166	67,662
Other	50,385	48,274
Total current liabilities	269,432	254,428
Retirement plans	24,104	25,658
Insurance claims	123,854	120,277
Total liabilities	417,390	400,363
Stockholders' equity		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized; 53,624,000 and 52,707,000 shares issued at January 31, 2005 and October 31, 2004, respectively	536	527
Additional paid-in capital	191,211	178,543
Accumulated other comprehensive loss	(173)	(108)
Retained earnings	330,999	328,258
Cost of treasury stock (4,000,000 shares at January 31, 2005 and October 31, 2004)	(65,059)	(65,059)
Total stockholders' equity	457,514	442,161
Total liabilities and stockholders' equity	<u>\$874,904</u>	<u>\$842,524</u>

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JANUARY 31, 2005 AND 2004

<u>(in thousands, except per share data)</u>	<u>2005</u>	<u>2004</u> As Restated
Revenues		
Sales and other income	\$647,363	\$570,823
Expenses		
Operating expenses and cost of goods sold	585,929	517,459
Selling, general and administrative	47,062	42,393
Intangible amortization	1,356	868
Interest	252	250
Total expenses	<u>634,599</u>	<u>560,970</u>
Income before income taxes	12,764	9,853
Income taxes	4,840	3,518
Net income	<u>\$ 7,924</u>	<u>\$ 6,335</u>
Net income per common share		
Basic	\$ 0.16	\$ 0.13
Diluted	\$ 0.16	\$ 0.13
Average common and common equivalent shares		
Basic	49,192	48,512
Diluted	50,402	49,785
Dividends declared per common share	\$ 0.105	\$ 0.100

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JANUARY 31, 2005 AND 2004

(in thousands)	2005	2004 As Restated
Cash flows from operating activities:		
Net income	\$ 7,924	\$ 6,335
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and intangible amortization	4,806	4,179
Provision for bad debts	466	1,195
Gain on sale of assets	(29)	(36)
Increase in deferred income taxes	(541)	(2,987)
Increase in trade accounts receivable	(7,409)	(10,618)
(Increase) decrease in inventories	(174)	604
Increase in prepaid expenses and other current assets	(7,702)	(1,646)
Decrease (increase) in other assets	1,673	(2,694)
Increase in income taxes payable	2,941	6,354
(Decrease) increase in retirement plans accrual	(1,554)	139
Increase in insurance claims liability	7,081	4,161
Increase in trade accounts payable and other accrued liabilities	7,381	9,051
Total adjustments to net income	6,939	7,702
Net cash flows from continuing operating activities	14,863	14,037
Net operational cash flows from discontinued operation	—	(30,507)
Net cash provided by (used in) operating activities	14,863	(16,470)
Cash flows from investing activities:		
Additions to property, plant and equipment	(4,825)	(2,087)
Proceeds from sale of assets	812	51
Decrease in investments and long-term receivables	517	940
Purchase of businesses	(15,173)	(288)
Net cash used in investing activities	(18,669)	(1,384)
Cash flows from financing activities:		
Common stock issued	8,595	4,156
Common stock purchases	—	(1,689)
Dividends paid	(5,183)	(4,855)
Net cash provided by (used in) financing activities	3,412	(2,388)
Net decrease in cash and cash equivalents	(394)	(20,242)
Cash and cash equivalents beginning of period	63,369	110,947
Cash and cash equivalents end of period	\$ 62,975	\$ 90,705
Supplemental Data:		
Cash paid for income taxes	\$ 2,440	\$ 30,658
Non-cash investing activities:		
Common stock issued for business acquired	\$ 3,429	\$ —

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments necessary to present fairly ABM Industries Incorporated (ABM) and subsidiaries' (the Company) financial position as of January 31, 2005 and the results of operations and cash flows for the three months then ended. These adjustments are of a normal, recurring nature, except as otherwise noted.

The information included in this Form 10-Q should be read in conjunction with the Management's Discussion and Analysis, the consolidated financial statements and the notes thereto included in the Company's Form 10-K Annual Report for the fiscal year ended October 31, 2004, as filed with the Securities and Exchange Commission.

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

2. Previous Restatement of Prior Periods

During the preparation of the financial statements for the year ended October 31, 2004, the Company concluded that the methodology it was using to estimate its self-insurance reserves in its previously issued financial statements was not in accordance with generally accepted accounting principles (GAAP) and therefore restated its previously issued financial statements in connection with the preparation of the financial statements included in its Annual Report on Form 10-K for the year ended October 31, 2004. As a result of the decision to restate, the Company further determined to make additional corrections to its financial statements. The effects of the restatement for the correction of these errors on the first three months of 2004 are shown below:

<u>(in thousands)</u>	<u>Three Months Ended January 31, 2004</u>
Insurance	\$ (624)
Intangible amortization	(569)
Software amortization	(135)
Decrease in income before income taxes	(1,328)
Income taxes	(507)
Decrease in net income	<u>\$ (821)</u>

Detailed information on the restatement is included in the Company's Form 10-K Annual Report for the fiscal year ended October 31, 2004, as filed with the Securities and Exchange Commission.

3. Net Income per Common Share

The Company has reported its earnings in accordance with Statement of Financial Accounting Standard (SFAS) No. 128, "Earnings per Share." Basic net income per common share is based on the weighted average number of shares outstanding during the period. Diluted net income per common share is based on the weighted average number of shares outstanding during the period, including common stock equivalents. Stock options account for the entire difference between basic average common shares outstanding and diluted average common shares outstanding. The calculation of net income per common share is as follows:

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(in thousands, except per share data)	Three Months Ended January 31,	
	2005	2004 As Restated
Net income available to common stockholders	\$ 7,924	\$ 6,335
Average common shares outstanding — Basic	49,192	48,512
Effect of dilutive securities:		
Stock options	1,210	1,273
Average common shares outstanding — Diluted	50,402	49,785
Net income per common share — Basic	\$ 0.16	\$ 0.13
Net income per common share — Diluted	\$ 0.16	\$ 0.13

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 shares for the period (*i.e.*, "out-of-the-money" options). On January 31, 2005 and 2004, options to purchase common shares of 0.3 million at weighted average exercise prices of \$21.44 and \$18.30, respectively, were excluded from the computation.

4. Stock-Based Compensation

The Company accounts for stock-based employee compensation plans, including purchase rights issued under the Employee Stock Purchase Plan, using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's application of APB Opinion No. 25 does not result in compensation cost because the exercise price of the options is equal to the fair value of the stock at the grant date. Under the intrinsic value method, if the fair value of the stock is greater than the exercise price at the grant date, the excess is amortized to compensation expense over the estimated service life of the recipient.

As all options granted since October 31, 1995 had exercise prices equal to the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost was reflected in net income for the three months ended January 31, 2005 and 2004, except for \$42,000 of compensation expense recorded in the first three months of 2005 due to the accelerated vesting of 4,000 options in connection with the termination of an employee on December 7, 2004. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all outstanding employee options granted after October 31, 1995 using the retroactive restatement method:

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(in thousands, except per share data)	Three Months Ended January 31,	
	2005	2004 As Restated
Net income, as reported	\$ 7,924	\$ 6,335
Deduct: Stock-based employee compensation cost, net of tax effect, that would have been included in net income if the fair value method had been applied	789	624
Net income, pro forma	\$ 7,135	\$ 5,711
Net income per common share — Basic		
As reported	\$ 0.16	\$ 0.13
Pro forma	\$ 0.15	\$ 0.12
Net income per common share — Diluted		
As reported	\$ 0.16	\$ 0.13
Pro forma	\$ 0.14	\$ 0.11

For purposes of calculating the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models. The use of these models requires subjective assumptions, including future stock price volatility and expected time to exercise, which can have a significant effect on the calculated values. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended January 31,	
	2005	2004
Expected life from the date of grant	6.4 years	6.8 years
Expected stock price volatility average	22.1%	24.2%
Expected dividend yield	2.0%	2.4%
Risk-free interest rate	3.9%	3.7%
Weighted average fair value of grants	\$ 5.12	\$ 3.77

The Company's pro forma calculations are based on a single option valuation approach. The computed pro forma fair value of the options awards are amortized over the required vesting periods. For purposes of the pro forma calculations, should options vest earlier, the remaining unrecognized value is recognized immediately and stock option forfeitures are recognized as they occur.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, "Share-Based Payment." This statement is a revision to SFAS No. 123, "Accounting for Stock-Based Compensation" and supercedes APB Opinion No. 25. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service. SFAS No. 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. In accordance with the standard, the Company will adopt SFAS No. 123R effective August 1, 2005. The Company believes that the impact that the adoption of SFAS No. 123R will have on its financial position or

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results of operations will approximate the magnitude of the stock-based employee compensation costs disclosed in this note.

5. Revenue Presentation

The Company's Parking segment reports both revenues and expenses recognized, in equal amounts, for costs directly reimbursed from its managed parking lot clients in accordance with Emerging Issues Task Force (EITF) Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Parking sales related solely to the reimbursement of expenses totaled \$58.3 million and \$53.8 million for the three months ended January 31, 2005 and 2004, respectively.

6. Insurance

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

The Company uses an independent actuary to annually evaluate the Company's estimated claim costs and liabilities and accrues self-insurance reserves in an amount that is equal to the actuarial point estimate. The estimated liability for claims incurred but unpaid at January 31, 2005 and October 31, 2004 was \$195.0 million and \$187.9 million, respectively.

In connection with certain self-insurance programs, the Company had standby letters of credit at January 31, 2005 and October 31, 2004 supporting estimated unpaid liabilities in the amount of \$108.5 million and \$88.3 million, respectively.

7. Variable Interest Entities

The Company has investments in two low income housing tax credit partnerships. Purchased in 1995 and 1998, these limited partnerships, organized by independent third parties and sold as investments, are variable interest entities as defined by FASB Financial Interpretation (FIN) No. 46R, a revision to FIN 46, "Consolidation of Variable Interest Entities." In accordance with FIN 46R, these partnerships are not consolidated in the Company's consolidated financial statements because the Company is not the primary beneficiary of the partnerships. At January 31, 2005 and October 31, 2004, the at-risk book value of these investments totaled \$3.7 million and \$3.9 million, respectively.

8. Goodwill and Other Intangibles

Goodwill. The changes in the carrying amount of goodwill for the three months ended January 31, 2005 were as follows (acquisitions are discussed in Note 9):

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(in thousands)				
Segment	Balance as of October 31, 2004	Initial Payments for Acquisitions	Contingent Amounts	Balance as of January 31, 2005
Janitorial	\$ 139,221	\$ 3,645	\$ 1,067	\$ 143,933
Parking	28,749	—	110	28,859
Security	37,605	2,470	—	40,075
Engineering	2,174	—	—	2,174
Lighting	17,746	—	256	18,002
Other	1,952	—	—	1,952
Total	\$ 227,447	\$ 6,115	\$ 1,433	\$ 234,995

The \$2.5 million increase in Security's goodwill includes \$1.0 million that resulted from recording a deferred tax liability from the Sentinel Guard Systems (Sentinel) transaction. See Note 9, "Acquisitions."

Other Intangibles. The changes in the gross carrying amount and accumulated amortization of intangibles other than goodwill for the three months ended January 31, 2005 were as follows (acquisitions are discussed in Note 9):

(in thousands)	Gross Carrying Amount			Accumulated Amortization		
	October 31, 2004	Additions	January 31, 2005	October 31, 2004	Additions	January 31, 2005
Customer contracts and related relationships	\$ 21,217	\$ 5,993	\$ 27,210	\$ (3,546)	\$ (907)	\$ (4,453)
Trademarks and trade names	3,000	50	3,050	(570)	(187)	(757)
Other (contract rights, etc.)	6,061	—	6,061	(3,872)	(262)	(4,134)
Total	\$ 30,278	\$ 6,043	\$ 36,321	\$ (7,988)	\$ (1,356)	\$ (9,344)

The weighted average remaining lives as of January 31, 2005 and the amortization expense for the three months ended January 31, 2005 and 2004 of intangibles other than goodwill, as well as the estimated amortization expense for such intangibles for each of the five succeeding fiscal years are as follows:

(\$ in thousands)	Weighted Average Remaining Life (Years)	Amortization Expense Three Months Ended January 31,		Estimated Amortization Expense Years Ending October 31,				
		2005	2004 As Restated	2006	2007	2008	2009	2010
Customer contracts and related relationships	10.9	\$ 907	\$ 519	\$3,654	\$3,262	\$2,871	\$2,479	\$2,088
Trademarks and trade names	4.1	187	50	540	540	540	203	—
Other (contract rights, etc.)	4.2	262	299	674	78	70	61	61
Total	9.8	\$1,356	\$ 868	\$4,868	\$3,880	\$3,481	\$2,743	\$2,149

The customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible asset are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are being amortized over the contract periods using the straight-line method.

9. Acquisitions

Acquisitions have been accounted for using the purchase method of accounting. The operating results generated by the companies and businesses acquired have been included in the accompanying

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consolidated financial statements from their respective dates of acquisition. The excess of the purchase price (including contingent amounts) over fair value of the net tangible and intangible assets acquired is included in goodwill. Most purchase agreements provide for initial payments and contingent payments based on the annual pre-tax income or other financial parameters for subsequent periods ranging generally from two to five years.

Cash paid for acquisitions, including initial payments and contingent amounts based on subsequent performance, was \$15.2 million and \$0.3 million in the three months ended January 31, 2005 and 2004, respectively. Of those payment amounts, \$1.4 million and \$0.3 million were the contingent amounts paid in the three months ended January 31, 2005 and 2004, respectively, on earlier acquisitions as provided by the respective purchase agreements. In addition, shares of ABM's common stock with a fair market value of \$3.4 million at the date of issuance were issued in the three months ended January 31, 2005 as payment for business acquired.

The Company made the following acquisitions during the three months ended January 31, 2005:

On November 1, 2004, the Company acquired substantially all of the operating assets of Sentinel, a Los Angeles-based company, from Tracerton Enterprises, Inc. Sentinel, with annual revenues in excess of \$13.0 million, was a provider of security officer services primarily to high-rise, commercial and residential structures. In addition to its Los Angeles business, Sentinel also operated an office in San Francisco. The total purchase price was \$5.3 million, which included an initial payment of \$3.4 million in shares of ABM's common stock, the assumption of liabilities totaling approximately \$1.8 million and \$0.1 million of professional fees. Of the total purchase price, \$2.4 million was allocated to customer relationship intangible asset, \$0.1 million to trademarks and trade names, \$1.3 million to customer accounts receivable and other assets and \$1.5 million to goodwill. Additionally, because of the tax-free nature of this transaction to the seller, the Company recorded a \$1.0 million deferred tax liability on the difference between the recorded fair market value and the seller's tax basis of the net assets acquired. Goodwill was increased by the same amount. Additional consideration includes contingent payments, based on achieving certain revenue and profitability targets over a three-year period, estimated to be between \$0.5 million and \$0.75 million per year, payable in shares of ABM's common stock.

On December 22, 2004, the Company acquired the operating assets of Colin Service Systems, Inc. (Colin), a facility services company based in New York, for an initial payment of \$13.6 million in cash. Under certain conditions, additional consideration may include an estimated \$1.9 million payment upon the collection of the acquired receivables and three annual contingent cash payments each for approximately \$1.1 million, which are based on achieving annual revenue targets over a three-year period. With annual revenues in excess of \$70 million, Colin was a provider of professional onsite management, commercial office cleaning, specialty cleaning, snow removal and engineering services. Of the total initial payment, \$3.6 million was allocated to customer relationship intangible assets, \$6.4 million to customer accounts receivable and other assets and \$3.6 million to goodwill.

Due to the size of these acquisitions, pro forma information is not included in the consolidated financial statements.

No acquisitions were made during the three months ended January 31, 2004.

10. Discontinued Operation

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc., a wholly-owned subsidiary of ABM that represented the Company's Elevator segment, to Otis Elevator Company, a wholly-owned subsidiary of United Technologies Corporation (Otis Elevator). The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in

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connection with the sale included \$112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. The Company realized a gain on the sale of \$52.7 million, which is net of \$32.7 million of income taxes, of which \$30.5 million was paid with the extension of the federal and state income tax returns on January 15, 2004. This payment has been reported as discontinued operation in the accompanying consolidated statements of cash flows.

11. Line of Credit Facility

The Company has a \$250.0 million syndicated line of credit that will expire July 1, 2005. No compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.875% to 1.50% or, for overnight borrowings, at the prime rate plus a spread of 0.00% to 0.25% or, for overnight to one week, at the Interbank Offered Rate (IBOR) plus a spread of 0.875% to 1.50%. The spreads for LIBOR, prime and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a commitment fee payable quarterly, in arrears, of 0.175%, based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program and cash borrowings are considered to be outstanding amounts. As of January 31, 2005 and October 31, 2004, the total outstanding amounts under this facility were \$116.7 million and \$96.5 million, respectively, in the form of standby letters of credit. The provisions of the credit facility require the Company to maintain certain financial ratios and limit outside borrowings. The Company was in compliance with all covenants as of January 31, 2005.

12. Comprehensive Income

Comprehensive income consists of net income and other related gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income. For the Company, such other comprehensive income items consist of unrealized foreign currency translation gains and losses. Comprehensive income for the three months ended January 31, 2005 and 2004 approximated net income.

13. Treasury Stock

On March 11, 2003, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through December 31, 2003. The Company purchased 1.4 million shares under this authorization at a cost of \$21.1 million (an average price per share of \$15.04) through October 31, 2003. In the two months ended December 31, 2003, the Company purchased 0.1 million shares at a cost of \$1.7 million (an average price per share of \$16.90).

On December 9, 2003, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through December 31, 2004. The Company purchased 0.5 million shares under this authorization at a cost of \$9.4 million (an average price per share of \$18.77) through October 31, 2004. No purchases were made in the two months ended December 31, 2004 when this authorization expired.

On March 7, 2005, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through October 31, 2005.

14. Employee Benefit Plans

Retirement and Post-Retirement Plans

The net cost of the defined benefit retirement plans and the post-retirement benefit plan for the three months ended January 31, 2005 and 2004 were as follows:

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(in thousands)	Three Months Ended January 31,	
	2005	2004
Defined Benefit Plans		
Service cost	\$ 50	\$ 82
Interest	144	146
Net expense	<u>\$ 194</u>	<u>\$ 228</u>
Post-Retirement Benefit Plan		
Service cost	\$ 10	\$ 10
Interest	68	69
Net expense	<u>\$ 78</u>	<u>\$ 79</u>

The defined benefit plans include the Company's retirement agreements for approximately 55 current and former directors and senior executives (Supplemental Executive Retirement Plan) and an unfunded severance pay plan covering certain qualified employees (Service Award Benefit Plan). The Supplemental Executive Retirement Plan was amended effective December 31, 2002 to preclude new participants and the Service Award Benefit Plan was amended effective January 1, 2002 to no longer award any further benefits. The post-retirement benefit plan is the Company's unfunded post-retirement death benefit plan.

401(k) Plan

The Company made matching 401(k) contributions required by the 401(k) plan for the three months ended January 31, 2005 and 2004 in the amounts of \$1.5 million and \$1.3 million, respectively.

Deferred Compensation Plan

The Company has an unfunded deferred compensation plan available to executive, management, administrative or sales employees whose annualized base salary exceeds \$95,000. The plan allows employees to make pre-tax contributions from one to twenty percent of their compensation. The deferred amount earns interest equal to the prime interest rate on the last day of the calendar quarter up to six percent. If the prime rate exceeds six percent, the deferred compensation interest rate is equal to six percent plus one half of the excess over six per cent. The average interest rates credited to the deferred compensation amounts for the first three months of 2005 and 2004 were 5.33% and 4.00%, respectively. At January 31, 2005, there were 47 active participants and 60 retired or terminated employees participating in the plan.

(in thousands)	Three Months Ended January 31,	
	2005	2004
Employee contributions	\$ 381	\$ 393
Interest accrued	140	104
Payments	(2,115)	(330)

Pension Plan Under Collective Bargaining

Certain qualified employees of the Company are covered under union-sponsored collectively bargained multi-employer defined benefit plans. Contributions paid for these plans were \$8.3 million and \$5.5 million in the three months ended January 31, 2005 and 2004, respectively. The increase in contribution payments was primarily due to a payment for the three months ended January 31, 2004 that was not made until the second quarter of 2004. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

15. Segment Information

Under the criteria of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. On November 1, 2004, Facility Services merged with Engineering. Mechanical and Facility Services are included in the Other segment until the end of fiscal 2004 and only Mechanical is included in Other segment beginning in fiscal 2005. Corporate expenses are not allocated.

(in thousands)	Three Months Ended	
	2005	January 31, 2004 As Restated
Sales and other income		
Janitorial	\$376,123	\$350,605
Parking	101,126	93,858
Security	73,111	40,876
Engineering	58,048	48,176
Lighting	29,416	26,613
Other	9,198	10,448
Corporate	341	247
	<u>\$647,363</u>	<u>\$570,823</u>
Operating profit (loss)		
Janitorial	\$ 12,432	\$ 12,315
Parking	2,388	989
Security	3,087	1,477
Engineering	3,001	2,565
Lighting	681	618
Other	(229)	262
Corporate	(8,344)	(8,123)
Operating profit	<u>13,016</u>	<u>10,103</u>
Interest expense	(252)	(250)
Income before income taxes	<u>\$ 12,764</u>	<u>\$ 9,853</u>

16. Contingencies

In September 1999, a former employee filed a gender discrimination lawsuit against ABM in the state of Washington. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court, in the case named *Forbes v. ABM*, awarded \$4.0 million in damages. The court later awarded costs of \$0.7 million to the plaintiff, pre-judgment interest in the amount of \$0.3 million and an additional \$0.8 million to mitigate the federal tax impact of the plaintiff's award. ABM is appealing the jury's verdict and the award of costs to the State Court of Appeals on the grounds that it was denied a fair trial and that Forbes failed to prove that ABM engaged in discrimination or retaliation. ABM has stayed enforcement of the judgment by procuring a \$7.0 million letter of credit. Interest on the judgment is assessed at 2% above the U.S. treasury bill rate. ABM believes that the award against ABM was excessive and that the verdict was inconsistent with the law and the evidence. Because ABM believes that the judgment will be reversed upon appeal and that it will prevail in a new trial, ABM has not recorded any liability in its financial statements associated with the judgment. However, there can be no assurance that ABM will prevail in this matter. As of January 31, 2005, ABM had incurred and recorded legal fees of \$0.3 million associated with the appeal. These fees, which include the cost of a new trial, are expected to total approximately \$0.5 million. In addition, ABM will incur annual fees of approximately 1% of the amount of the letter of credit. Oral arguments before the State Court of Appeals occurred on February 17, 2005 and a decision is pending.

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In 1998 ABM's parking subsidiary leased a parking facility in Houston, Texas, owned by a limited partnership jointly owned by affiliates of American National Insurance Company ("ANICO") and partners associated with Gerry Albright ("Albright affiliates.") In June 2003, the ANICO affiliates notified the Albright affiliates that they would sell their interest in the parking facility. The Albright affiliates accepted the offer and attempted to secure financing. In connection with certain proposed financing for the Albright affiliates, ABM's parking subsidiary was asked to submit an estoppel certificate and on that certificate it set forth certain claims under the lease. The Albright affiliates subsequently did not close the transaction and the ANICO affiliates acquired the interest in the parking facility held by the Albright affiliates. On December 5, 2003, the Albright affiliates filed a lawsuit against ABM, its parking subsidiary, and certain ANICO affiliates. The complaint alleged that ABM breached its obligations under the parking facility lease and committed tortious interference, the ANICO affiliates breached fiduciary responsibilities under the partnership agreement, and that ABM and ANICO were engaged in a conspiracy. Subsequently, claims against ANICO were dismissed. The Albright affiliates assert damages consisting of (1) the value of the parking facility in excess of the purchase price at the time of the proposed purchase by the Albright affiliates (\$1.8 million); (2) lost future revenues from the operation of the parking facility (\$15.4 million); (3) future appreciation of the property during the remainder of the parking facility lease (a range from \$9.9 million to \$39.0 million); (4) exemplary damages; and (5) attorneys' fees. This matter is currently before the Federal District Court in Houston, Texas. ABM believes that it acted in good faith under the terms of the lease and is not liable to the Albright affiliates for their damages related to their inability to secure financing.

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

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

Overview

ABM Industries Incorporated ("ABM") and its subsidiaries (the "Company") provide janitorial, parking, security, engineering, lighting and mechanical services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities throughout the United States and in British Columbia, Canada. The largest segment of the Company's business is Janitorial which generated over 58% of the Company's sales and other income (hereinafter called "sales") and over 58% of its operating profit before corporate expenses for the first three months of 2005.

The Company's sales are substantially based on the performance of labor-intensive services at contractually specified prices. Janitorial and other maintenance service contracts are either fixed-price or "cost-plus" (*i.e.*, the customer agrees to reimburse the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage). In addition to services defined within the scope of the contract, the Company also generates sales from extra services, such as when the customer requires additional cleaning or emergency repair services, with extra services frequently providing higher margins. The quarterly profitability of fixed-price contracts is impacted by the variability of the number of work days in the quarter.

The majority of the Company's contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days' written notice. Upon renewal of the contract, the Company may renegotiate the price although competitive pressures and customers' price-sensitivity could inhibit the Company's ability to pass on cost increases. Such cost increases include, but are not limited to, wage, benefit, payroll tax (including unemployment insurance tax), workers' compensation and general liability

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insurance increases. However, for some renewals the Company is able to restructure the scope and terms of the contract such that the costs are reduced thereby keeping the price competitive.

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

The Company's most recent acquisitions significantly contributed to the growth in sales and operating profit in the first three months of 2005 from the same period in 2004. The Company also experienced internal growth in sales in the first three months of 2005. Internal growth in sales represents not only sales from new customers, but also expanded services or increases in the scope of work for existing customers. In the long run, achieving the desired levels of sales and profitability will depend on the Company's ability to gain and retain, at acceptable profit margins, more customers than it loses, pass on cost increases to customers, and keep overall costs down to remain competitive, particularly against privately-owned companies that typically have the lower cost advantage.

In the short-term, management is focused on pursuing new business and integrating its most recent acquisitions. In the long-term, management is focused on implementing its strategic plan to grow the business through a combination of internal growth and selective acquisitions in the Company's core disciplines.

Liquidity and Capital Resources

<u>(in thousands)</u>	<u>January 31, 2005</u>	<u>October 31, 2004</u>	<u>Change</u>
Cash and cash equivalents	\$ 62,975	\$ 63,369	\$ (394)
Working capital	\$235,136	\$228,553	\$ 6,583

<u>(in thousands)</u>	<u>Three Months Ended January 31,</u>		<u>Change</u>
	<u>2005</u>	<u>2004</u>	
Cash provided by operating activities from continuing operations	\$ 14,863	\$ 14,037	\$ 826
Net cash used in investing activities	\$ (18,669)	\$ (1,384)	\$(17,285)
Net cash provided by (used in) financing activities	\$ 3,412	\$ (2,388)	\$ 5,800

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. As of January 31, 2005 and October 31, 2004, the Company's cash and cash equivalents totaled \$63.0 million and \$63.4 million, respectively. The cash balance at January 31, 2005 declined only slightly from October 31, 2004 despite the \$13.6 million initial cash payment made for the purchase of operations of Colin Service Systems, Inc. ("Colin"), acquired on December 22, 2004, primarily due to cash from operating activities.

Working Capital. Working capital increased by \$6.6 million to \$235.1 million at January 31, 2005 from \$228.6 million at October 31, 2004 primarily due, as above, to the increase in cash from operating activities partially offset by the initial cash payment made for Colin. The largest component of working capital consists of trade accounts receivable, which totaled \$331.7 million at January 31, 2005, compared to \$317.7 million at October 31, 2004. These amounts were net of allowances for doubtful accounts of \$8.4 million at each of January 31, 2005 and October 31, 2004. The increase in the trade accounts receivable balance was due to higher sales during the first three months of 2005 than the first three months of 2004. As of January 31, 2005, accounts receivable that were over 90 days past due had

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increased \$0.9 million to \$20.1 million from \$19.2 million at October 31, 2004 (5.9% of the total outstanding at both dates).

Cash Flows from Operating Activities. During the first three months of 2005 and 2004, operating activities from continuing operations generated net cash of \$14.9 million and \$14.0 million, respectively. Operating cash from continuing operations increased in the first three months of 2005 from the first three months of 2004 primarily due to higher net income.

Cash Flows from Investing Activities. Net cash used in investing activities in the first three months of 2005 was \$18.7 million, compared to \$1.4 million in the first three months of 2004. The increase was primarily due to the purchase of businesses in the first three months of 2005 totaling \$15.2 million, of which \$13.6 million in cash was used for the purchase of the operations of Colin, while no business purchases were made in the first three months of 2004.

Cash Flows from Financing Activities. Net cash provided by financing activities was \$3.4 million in the first three months of 2005 while \$2.4 million was used in the first three months of 2004. This was primarily due to more cash generated from the issuance of ABM's common stock under employee stock purchase plans in the first three months of 2005 compared to the same period of 2004. The 1985 employee stock purchase plan terminated upon issuance of all the available shares in November 2003. A new employee stock purchase plan was approved by the stockholders in March 2004 and the first offering period began on August 1, 2004. Additionally, the Company did not purchase any shares of ABM's common stock in the first three months of 2005, while 0.1 million shares were purchased in the first three months of 2004 at a cost of \$1.7 million (an average price per share of \$16.90).

Line of Credit. The Company has a \$250 million syndicated line of credit that will expire July 1, 2005. No compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate ("LIBOR") plus a spread of 0.875% to 1.50% or, for overnight borrowings, at the prime rate plus a spread of 0.00% to 0.25% or, for overnight to one week, at the Interbank Offered Rate ("IBOR") plus a spread of 0.875% to 1.50%. The spreads for LIBOR, prime and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a commitment fee payable quarterly, in arrears, of 0.175%, based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of January 31, 2005 and October 31, 2004, the total outstanding amounts under this facility were \$116.7 million and \$96.5 million, respectively, in the form of standby letters of credit. The provisions of the credit facility require the Company to maintain certain financial ratios and limit outside borrowings. The Company was in compliance with all covenants as of January 31, 2005.

Cash Requirements

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements for various facilities, vehicles and other equipment. As of January 31, 2005, future contractual payments were as follows:

(in thousands)	Payments Due By Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Contractual Obligations					
Operating Leases	<u>\$ 188,942</u>	<u>\$ 46,806</u>	<u>\$ 59,843</u>	<u>\$ 34,330</u>	<u>\$ 47,963</u>

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

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<u>(in thousands)</u> Commercial Commitments	Amounts of Commitment Expiration Per Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Standby Letters of Credit	\$ 116,693	\$ 116,693	—	—	—
Financial Responsibility Bonds	1,934	1,934	—	—	—
Total	\$ 118,627	\$ 118,627	—	—	—

<u>(in thousands)</u> Other Long-Term Liabilities	Payments Due By Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Retirement Plans	\$ 41,249	\$ 1,962	\$ 5,097	\$ 4,978	\$ 29,212

Not included in the retirement plans in the table above are union-sponsored collectively bargained multi-employer defined benefit plans under which certain union employees of the Company are covered. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. Contributions paid for these plans were \$8.3 million and \$5.5 million in the three months ended January 31, 2005 and 2004, respectively. The increase in contribution payments was primarily due to a payment for the three months ended January 31, 2004 that was not made until the second quarter of 2004.

The Company self-insures certain insurable risks such as general liability, automobile property damage, and workers' compensation. Commercial policies are obtained to provide for \$150.0 million of coverage for certain risk exposures above the self-insured retention limits (*i.e.*, deductibles). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from \$0.5 million (inclusive of legal fees) to \$1.0 million (exclusive of legal fees). Effective April 14, 2003, the deductible for California workers' compensation insurance increased to \$2.0 million per occurrence due to general insurance market conditions. While the higher self-insured retention increases the Company's risk associated with workers' compensation liabilities, during the history of the Company's self-insurance program, few claims have exceeded \$1.0 million. The Company annually retains an outside actuary to provide an actuarial estimate of its insurance claims.

The self-insurance claims paid in the first three months of 2005 and 2004 were \$14.7 million and \$14.4 million, respectively. Claim payments vary based on the frequency and/or severity of claims incurred and timing of the settlements and therefore may have an uneven impact on the Company's cash balances.

The Company has no significant commitments for capital expenditures and believes that the current cash and cash equivalents, cash generated from operations and the expected renewal of its line of credit prior to July 2005 will be sufficient to meet the Company's cash requirements for the long term.

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

The Company had commercial insurance policies covering business interruption, property damage and other losses related to the World Trade Center ("WTC") complex in New York, which was the Company's largest single job-site with annual sales of approximately \$75.0 million (3% of the Company's consolidated sales for 2001). As of October 31, 2004, Zurich Insurance ("Zurich") had paid partial settlements totaling \$13.8 million, of which \$10.0 million was for business interruption and \$3.8 million for property damage, which substantially settled the property portion of the claim. The Company realized a pre-tax gain of \$10.0 million in 2002 on the proceeds received.

In December 2001, Zurich filed a Declaratory Judgment Action in the Southern District of New York claiming the loss of the business profit falls under the policy's contingent business interruption sub-limit of

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\$10.0 million. On June 2, 2003, the court ruled on certain summary judgment motions in favor of Zurich. Therefore, the Company appealed the court's rulings.

On February 9, 2005, the United States Court of Appeals for the Second Circuit granted summary judgment in favor of ABM on the Company's insurance claims for business interruption losses resulting from the WTC terrorist attack. The Appeals Court also ruled that ABM is entitled to recovery for the extra expenses it incurred after September 11, 2001, which include millions of dollars related to increased unemployment claims and costs associated with the redeployment of WTC personnel at other facilities. The Appeals Court rejected the arguments of Zurich to limit ABM's business interruption coverage and returned the case to the Southern District of New York for determination of appropriate additional compensation under the policy. ABM will continue to pursue its claims against Zurich. Under the policy, coverage for business interruption and other related losses is capped at \$127.4 million. ABM believes its losses exceed \$100 million, of which \$10 million has been paid under the contingent business interruption sub-limit. On February 24, 2005, Zurich filed a motion to have its appeal heard by the Second Circuit Court of Appeals sitting en banc. Zurich's motion is pending.

Under Emerging Issues Task Force ("EITF") Issue No. 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001," the Company has not recognized future amounts it expects to recover from its business interruption insurance as income. Any gain from insurance proceeds is considered a contingent gain and, under Statement of Financial Accounting Standard ("SFAS") No. 5, "Accounting for Contingencies," can only be recognized as income in the period when any and all contingencies for that portion of the insurance claim have been resolved.

Environmental Matters

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

The Company is currently involved in three environmental matters: one involving alleged potential soil contamination at a former Company facility in Arizona, one involving alleged potential soil and groundwater contamination at a Company facility in Florida, and one involving an alleged de minimis contribution to a landfill in Southern California. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's financial position, results of operations, or cash flows. As any liability related to these matters is neither probable nor estimable, no accruals have been made related to these matters.

Off-Balance Sheet Arrangements

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

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

Acquisitions

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. Acquisitions made during the three-month period ended January 31, 2005 are discussed in Note 9 of Notes to the Consolidated Financial Statements. There was no acquisition during the first three months of 2004.

Results of Operations

The following discussion should be read in conjunction with the 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 first quarter which ended on October 31 and January 31, respectively.

Three Months Ended January 31, 2005 vs. Three Months Ended January 31, 2004

(\$ in thousands)	Three Months Ended January 31, 2005	% of Sales	Three Months Ended January 31, 2004 As Restated*	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	\$ 647,363	100.0%	\$ 570,823	100.0%	13.4%
Expenses					
Operating expenses and cost of goods sold	585,929	90.5%	517,459	90.7%	13.2%
Selling, general and administrative	47,062	7.3%	42,393	7.4%	11.0%
Intangible amortization	1,356	0.2%	868	0.2%	—
Interest	252	0.0%	250	0.0%	0.8%
Total expenses	634,599	98.0%	560,970	98.3%	13.1%
Income before income taxes	12,764	2.0%	9,853	1.7%	29.5%
Income taxes	4,840	0.7%	3,518	0.6%	37.6%
Net income	\$ 7,924	1.2%	\$ 6,335	1.1%	25.1%

*See Note 2 of Notes to Consolidated Financial Statements.

Net Income. Net income for the first three months of 2005 increased 25.1% to \$7.9 million (\$0.16 per diluted share) from \$6.3 million (\$0.13 per diluted share) for the first three months of 2004. All operating segments showed improvement in operating income, except for the Other segment, despite one more work day in the first three months of 2005 compared to the same period in 2004. The increase in net income was primarily attributable to the increase in sales and other income ("sales") in the first three months of 2005 from the first three months of 2004.

Sales and Other Income. Sales for the first three months of 2005 of \$647.4 million increased by \$76.5 million or 13.4% from \$570.8 million for the first three months of 2004. Acquisitions completed in fiscal year 2004 and the three months ended January 31, 2005 contributed \$43.4 million to the sales increase. The remainder of the sales increase was primarily due to new business in all operating

segments except for the Other segment, as well as due to the expansion of services with existing Janitorial and Engineering customers.

Operating Expenses and Cost of Goods Sold. As a percentage of sales, gross profit (sales minus operating expenses and cost of goods sold) was 9.5% for the first three months of 2005 compared to 9.3% for the first three months of 2004. The increase in margins was primarily due to the higher margin contributions from the Security acquisitions completed in 2004 and the first three months of 2005, termination of unprofitable contracts and favorably renegotiated contracts at Parking, and higher “tag” (i.e. extra services) sales which provided higher margins in the Northeast region of Janitorial. The positive effect of these changes was partially offset by one more work day in the first three months of 2005 compared to the same period in 2004 which unfavorably impacted the fixed-price contracts in Janitorial.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the first three months of 2005 were \$47.1 million, compared to \$42.4 million for the first three months of 2004. The increase was primarily due to an increase of \$2.8 million in selling, general and administrative expenses attributable to the acquisitions completed in 2004 and the first three months of 2005, annual salary increases, higher professional fees and additional personnel devoted to compliance with the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) as well as higher cost associated with the transitioning in of the new Chief Operating Officer. The former Chief Operating Officer, who retired on January 31, 2005, entered into a one-year consulting agreement with ABM.

Intangible Amortization. Intangible amortization was \$1.4 million for the first three months of 2005 compared to \$0.9 million for the first three months of 2004. The higher amortization was due to intangibles acquired in business combinations completed in fiscal year 2004 and three months ended January 31, 2005.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was flat between the first three months of 2005 and the first three months of 2004.

Income Taxes. The effective tax rate was 37.9% for the first three months of 2005, compared to 35.7% for the first three months of 2004 reflecting the higher level of pretax income while the estimated federal tax credits were substantially the same in both quarters. In addition, the 37.9% effective tax rate reflects a higher estimated state income tax rate due to the combined income tax return filing requirements in certain states where separate income tax returns were previously filed.

Segment Information. Under the criteria of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. On November 1, 2004, Facility Services merged with Engineering. Mechanical and Facility Services are included in the Other segment until the end of fiscal 2004 and only Mechanical is included in Other segment beginning in fiscal 2005. Corporate expenses are not allocated.

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(\$ in thousands)	Three Months Ended January 31,		Better (Worse)
	2005	2004 As Restated*	
Sales and other income			
Janitorial	\$ 376,123	\$ 350,605	7.3%
Parking	101,126	93,858	7.7%
Security	73,111	40,876	78.9%
Engineering	58,048	48,176	20.5%
Lighting	29,416	26,613	10.5%
Other	9,198	10,448	(12.0)%
Corporate	341	247	38.1%
	<u>\$ 647,363</u>	<u>\$ 570,823</u>	<u>13.4%</u>
Operating profit (loss)			
Janitorial	\$ 12,432	\$ 12,315	1.0%
Parking	2,388	989	141.5%
Security	3,087	1,477	109.0%
Engineering	3,001	2,565	17.0%
Lighting	681	618	10.2%
Other	(229)	262	(187.4)%
Corporate	(8,344)	(8,123)	(2.7)%
Operating profit	<u>13,016</u>	<u>10,103</u>	<u>28.8%</u>
Interest expense	(252)	(250)	(0.8)%
Income before income taxes	<u>\$ 12,764</u>	<u>\$ 9,853</u>	<u>29.5%</u>

*See Note 2 of Notes to Consolidated Financial Statements.

The results of operations from the Company's segments for the three months ended January 31, 2005, compared to the same period in 2004, are more fully described below.

Janitorial. Sales for Janitorial increased by \$25.5 million, or 7.3%, during the first three months of 2005 compared to the same period in 2004. The Initial and Colin acquisitions contributed \$14.3 million to the increase in sales. Additionally, sales across almost all regions increased particularly in the Mid-Atlantic, Midwest and Northwest regions due to new business. Sales in the Northern California region also increased due to expansion of services to existing customers and price adjustments to pass through a portion of union cost increases.

Operating profit increased only 1.0% in the first three months of 2005 compared to the first three months of 2004 despite the 7.3% increase in sales, primarily due to the impact of one more work day in the first three months of 2005 than in the same period last year, amounting to approximately \$2.2 million of additional labor cost. The Northeast region contributed the most to the improvement with its operating loss down by \$1.3 million in the first three months of 2005 compared to 2004 primarily due to higher tag sales, which provided higher margins, and tight control of labor cost especially in Manhattan. The Initial and Colin acquisitions contributed \$0.3 million of operating profit. Operating profit improved in all regions except the Northern California and Midwest regions. The Northern California region's price adjustments did not absorb all the increases in workers' compensation insurance and union costs resulting in a lower operating profit despite increase in sales, while competitive pressures in Chicago resulted in lower prices in the Midwest region.

Parking. Parking sales increased \$7.3 million or 7.7% while operating profit increased \$1.4 million or 141.5% during the first three months of 2005 compared to the first three months of 2004. Of the \$7.3 million sales increase, \$4.5 million represented higher reimbursements for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit. New contracts contributed to the remainder of the increase. The increase in operating profits resulted from the new contracts, the

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termination of unprofitable contracts and higher margins on renegotiated contracts. Additionally, insurance expenses were lower in the Southwest region.

Security. Security sales increased \$32.2 million, or 78.9%, during the first three months of 2005 compared to the first three months of 2004 primarily due to the SSA and Sentinel acquisitions, which contributed \$29.2 million to the sales increase. The remainder of the sales increase is attributable to the net effect of new business, including major contracts awarded in the third quarter of 2004. Operating profits increased \$1.6 million, or 109%, primarily due to the \$1.4 million profit contribution from SSA and Sentinel and operating profit from new business.

Engineering. Sales for Engineering increased \$9.9 million, or 20.5%, during the first three months of 2005 compared to the first three months of 2004 due to successful sales initiatives resulting in new business and the expansion of services to existing customers across the country, most significantly in Northern California. Operating profits increased \$0.4 million, or 17.0%, during 2005 compared to 2004 due to higher sales, partially offset by the expenses associated with increased management staff and the higher state unemployment insurance expense in California. The increase in management staff resulted from the merger of Engineering and Facility Services.

Lighting. Lighting sales increased \$2.8 million, or 10.5%, while operating profit increased by \$0.1 million, or 10.2%, during the first three months of 2005 compared to the first three months of 2004. The growth in sales was driven by increased project and service business primarily in the Southwest and Northwest regions. The increase in operating profit was primarily due to higher sales partially offset by costs associated with an expanded sales force.

Other. Sales for the Other Segment decreased \$1.3 million, or 12.0%, while operating profit decreased \$0.5 million during the first three months of 2005 compared to the same period of 2004. Sales declined primarily due to Facility Services' sales now being reported as part of Engineering. Also, on November 1, 2004, Mechanical was awarded a large guaranteed maintenance contract by a major wireless provider to service cell sites across the country. About one half of the cell sites were under a preventive maintenance contract with the same wireless provider prior to November 1, 2004 and the preventive maintenance service that would have been performed on those sites in the first three months of 2005 was postponed while preparations for the bigger scope of work under the guaranteed maintenance contract were underway. The work under the guaranteed maintenance contract began slowly in the first three months of 2005 as technicians were hired and trained on special equipment and other operational and administrative preparations were being made. Additionally, prices on other new jobs were lower due to competitive pressures.

Corporate. Corporate expenses for the first three months of 2005 increased by \$0.2 million or 2.7% compared to the same period of 2004 mainly due to higher professional fees and additional personnel devoted to Sarbanes-Oxley compliance as well as higher cost associated with the transitioning in of the new Chief Operating Officer. The former Chief Operating Officer, who retired on January 31, 2005, entered into a one-year consulting agreement with ABM.

Discontinued Operation

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc., a wholly-owned subsidiary of ABM that represented the Company's Elevator segment, to Otis Elevator Company, a wholly-owned subsidiary of United Technologies Corporation (Otis Elevator). The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in connection with the sale included \$112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. The Company realized a gain on the sale of \$52.7 million, which is net of \$32.7 million of income taxes, of which \$30.5 million was paid with the extension of the federal and state income

tax returns on January 15, 2004. This payment has been reported as discontinued operation in the accompanying consolidated statements of cash flows.

Recent Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 123R, “Share-Based Payment.” This statement is a revision to SFAS No. 123, “Accounting for Stock-Based Compensation” and supersedes Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service. SFAS No. 123R is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. In accordance with the standard, the Company will adopt SFAS No. 123R effective August 1, 2005. The Company believes that the impact that the adoption of SFAS No. 123R will have on its financial position or results of operations will approximate the magnitude of the stock-based employee compensation costs disclosed above pursuant to the disclosure requirements of SFAS No. 148. (See Note 4 of the Notes to Consolidated Financial Statements.)

Critical Accounting Policies and Estimates

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

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

Self-Insurance Reserves. Certain insurable risks such as general liability, automobile property damage and workers’ compensation are self-insured by the Company. However, commercial policies are obtained to provide coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company’s self-insurance program are recorded on a claim-incurred basis. The Company uses an independent actuarial firm to provide an estimate of the Company’s claim costs and liabilities annually and the Company accrues the actuarial point estimate.

Using the annual actuarial report, management develops annual insurance costs for each operation, expressed as a rate per \$100 of exposure (labor and revenue) to estimate insurance costs on a quarterly basis. Additionally, management monitors new claims and claim development to assess the adequacy of the insurance reserves. The estimated future charge is intended to reflect the recent experience and trends. Trend analysis is complex and highly subjective. The interpretation of trends requires the knowledge of all factors affecting the trends that may or may not be reflective of adverse development (*e.g.*, change in regulatory requirements and change in reserving methodology). If the trends suggest that the frequency or severity of claims incurred increased, the Company might be required to record additional expenses for self-insurance liabilities. Additionally, the Company uses third party service providers to administer its claims and the performance of the service providers and transfers between administrators can impact the cost of claims and accordingly the amounts reflected in insurance reserves.

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

Deferred Income Tax Asset Valuation Allowance. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. If management determines it is more likely than not that the net deferred tax asset will be realized, no valuation allowance is recorded. At January 31, 2005, the net deferred tax asset was \$89.3 million and no valuation allowance was recorded. Should future income be less than anticipated, the net deferred tax asset may not be fully recoverable.

Other Intangible Assets Other Than Goodwill. The Company engages a third party valuation firm to independently appraise the value of intangible assets acquired in larger sized business combinations. For smaller acquisitions, the Company performs an internal valuation of the intangible assets using the discounted cash flow technique. The customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over the useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible asset are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are being amortized over the contract periods using the straight-line method. At least annually, the Company evaluates the remaining useful life of an intangible asset to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of the asset's remaining useful life changes, the remaining carrying amount of the intangible asset would be amortized over the revised remaining useful life. Furthermore, the remaining unamortized book value of intangibles will be reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." The first step of an impairment test under SFAS No. 144 is a comparison of the future cash flows, undiscounted, to the remaining book value of the intangible. If the future cash flows are insufficient to recover the remaining book value, a fair value of the asset, depending on its size, will be independently or internally determined and compared to the book value to determine if an impairment exists.

Goodwill. In accordance with SFAS No. 142, "Goodwill and Other Intangibles," goodwill is no longer amortized. Rather, the Company performs goodwill impairment tests on an at least an annual basis, in the fourth quarter, using the two-step process prescribed in SFAS No. 142. The first step is to evaluate for potential impairment by comparing the reporting unit's fair value with its book value. If the first step indicates potential impairment, the required second step allocates the fair value of the reporting unit to its assets and liabilities, including recognized and unrecognized intangibles. If the implied fair value of the reporting unit's goodwill is lower than its carrying amount, goodwill is impaired and written down to its implied fair value. The fair value of the reporting unit, if required to be determined, will be independently appraised.

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

Factors That May Affect Future Results

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

The disclosure and analysis in this Quarterly Report on Form 10-Q contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time

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to time, the Company also provides forward-looking statements in other written materials released to the public as well as oral forward-looking statements. Such statements give the Company's current expectations or forecasts of future events; they do not relate strictly to historical or current facts. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, and the outcome of contingencies and other uncertainties, such as legal proceedings, and financial results. Management tries, wherever possible, to identify such statements by using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project" and similar expressions.

Set forth below are factors that the Company thinks, individually or in the aggregate, could cause the Company's actual results to differ materially from past results or those anticipated, estimated or projected. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Investors should understand that it is not possible to predict or identify all such factors. Consequently, the following should not be considered to be a complete list of all potential risks or uncertainties.

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

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

A change in actuarial analysis could affect the Company's results. The Company contracts an annual independent actuarial evaluation of its insurance reserves to ensure that its insurance reserves are appropriate. Actuaries may vary in the manner in which they derive their estimates and these differences could lead to variations in actuarial estimates that cause changes in the Company's insurance reserves not related to changes in its claims experience. In addition, because the Company's actuarial estimate is prepared annually and requires several months of analysis, the Company may not learn of a deterioration in claims, particularly claims administered by a third party, until additional costs have been incurred or are projected.

A change in the frequency or severity of claims against the Company, a deterioration in claims management, or the cancellation or non-renewal of the Company's primary insurance policies could adversely affect the Company's results. While the Company attempts to establish adequate self-insurance reserves using an annual actuarial study, unanticipated increases in the frequency or severity of claims against the Company would have an adverse financial impact. Also, where

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the Company self-insures, a deterioration in claims management, whether by the Company or by a third party claims administrator, could lead to delays in settling claims thereby increasing claim costs, particularly in the workers' compensation area. In addition, catastrophic uninsured claims against the Company or the inability of the Company's insurance carriers to pay otherwise insured claims would have a material adverse financial impact on the Company.

Furthermore, many customers, particularly institutional owners and large property management companies, prefer to do business with contractors, such as the Company, with significant financial resources, who can provide substantial insurance coverage. Should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, this loss would have an adverse impact on the Company's business.

A decline in commercial office building occupancy and rental rates could affect the Company's sales and profitability. The Company's sales directly depend on commercial real estate occupancy levels and the rental income of building owners. Decreases in these levels reduce demand and also create pricing pressures on building maintenance and other services provided by the Company. In certain geographic areas and service segments, the Company's most profitable work includes jobs performed for tenants in buildings in which it performs building services for the property owner or management company. A decline in occupancy rates could result in a decline in fees paid by landlords as well as tenant work which would lower sales and margins. In addition, in those areas of its business where the Company's workers are unionized, decreases in sales can be accompanied by relative increases in labor costs if the Company is obligated by collective bargaining agreements to retain workers with seniority and consequently higher compensation levels.

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

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

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

Continued low levels of capital investments by customers could adversely impact the results of Lighting and Mechanical operations. While the economy appears to be recovering in recent months,

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the commercial office building and retail sectors have been slow to make capital expenditures for lighting and mechanical projects. While we expect capital investment in these areas to increase in the coming year, customers' capital project budgets could continue at low levels, which would adversely impact the Company's results.

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

The Company could experience labor disputes that could lead to loss of sales or expense variations. At January 31, 2005, approximately 41% of the Company's employees were subject to collective bargaining agreements at the local level. Some collective bargaining agreements will expire or become subject to renegotiation during the current fiscal year. When one or more of the Company's major collective bargaining agreements becomes subject to renegotiation, the Company and the union may disagree on important terms which, in turn, could lead to a strike, work slowdown or other job actions at one or more of the Company's locations. A strike, work slowdown or other job action could in some cases disrupt the Company from providing its services, resulting in reduced revenue collection. In other cases, a strike, work slowdown or other job action could lead to lower expenses due to fewer employees performing services. Alternatively, the result of renegotiating a collective bargaining could be a substantial increase in labor and benefits expenses that the Company could be unable to pass through to its customers for some period of time, if at all.

The Company incurs significant accounting and other control costs, which could increase. As a publicly-traded corporation, the Company incurs certain costs to comply with regulatory requirements. Most of the Company's competitors are privately-owned so these costs can be a competitive disadvantage for the Company. Should the Company's sales decline or if the Company is unsuccessful at increasing prices to cover higher expenditures for control and audit, its costs associated with regulatory compliance will rise as a percentage of sales.

While the Company believes that it now has adequate internal control over financial reporting, the management of the Company is required to evaluate internal control over financial reporting under Section 404 of Sarbanes-Oxley and any adverse results from such evaluation could result in a loss of investor confidence in the Company's financial reports and have an adverse effect on ABM's stock price. Pursuant to Section 404 of Sarbanes-Oxley, beginning with the Company's Annual Report on Form 10-K for the fiscal year ending October 31, 2005, management will be required to furnish a report on the Company's internal control over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of the Company's internal control over financial reporting as of the end of its fiscal year, including a statement as to whether or not the Company's internal control over financial reporting is effective. This assessment must include disclosure of any material weakness in internal control over financial reporting identified by management. This report must also contain a statement that the Company's auditors have issued an attestation report on management's assessment of such internal control.

Public Company Accounting Oversight Board Auditing Standard No. 2 provides the professional standards and related performance guidance for auditors to attest to, and report on, management's assessment of the effectiveness of the internal control over financial reporting under Section 404.

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Management's assessment of internal control over financial reporting requires management to make subjective judgments and, particularly because Auditing Standard No. 2 is newly effective, some of the judgments will be in areas that may be open to interpretation and therefore the report may be uniquely difficult to prepare and the Company's auditors may not agree with management's assessments.

The Company is still performing the process documentation and evaluation needed to comply with Section 404, which is both costly and challenging. During this process, if management identifies one or more material weakness in internal control over financial reporting (such as was identified in connection with the preparation of the 2004 financial statements) that it is not able to remediate to meet the October 31, 2005 deadline, management will be unable to assert such internal control is effective. If management is unable to assert that internal control over financial reporting is effective as of October 31, 2005 (or if the Company's auditors are unable to attest that management's report is fairly stated or they are unable to express an opinion on the effectiveness of the Company's internal control over financial reporting), the Company could lose investor confidence in the accuracy and completeness of its financial reports, which would have an adverse effect on ABM's stock price.

Additionally, while the Company currently anticipates being able to satisfy the requirements of Section 404 in a timely fashion, it cannot be certain as to the timing of completion of its evaluation, testing and any required remediation due in large part to the fact that there is no precedent available by which to measure compliance with the new Auditing Standard No. 2 at the present time. If management is not able to complete the assessment under Section 404 in a timely manner, management and the Company's auditors would be unable to conclude that the Company's internal control over financial reporting is effective as of October 31, 2005.

Other issues and uncertainties may include:

- labor shortages that adversely affect the Company's ability to employ entry level personnel,
- a reduction or revocation of the Company's line of credit that could increase interest expense and the cost of capital,
- legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers such as state or locally- mandated healthcare benefits,
- new accounting pronouncements or changes in accounting policies,
- impairment of goodwill or other intangible assets,
- the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company,
- inclement weather which could disrupt the Company in providing its services resulting in reduced sales, or work performed following inclement weather could result in higher cost with partial or no corresponding compensation from customers leading to lower margins.

The Company believes that it has the human and financial resources for business success, but future profit and cash flow can be adversely (or advantageously) influenced by a number of factors, including those listed above, any and all of which are inherently difficult to forecast. The Company's Annual Report on Form 10-K for the year ended October 31, 2004, contains additional information with respect to the factors that could influence its business. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. Substantially all of the operations of the Company are conducted in the United States, and, as such, are not subject to material foreign currency exchange rate risk. At January 31, 2005, the Company had no outstanding long-term debt. Although the Company's assets included \$63.0

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million in cash and cash equivalents at January 31, 2005, market rate risk associated with changing interest rates in the United States is not material.

Item 4. Controls and Procedures

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

Changes in Internal Control Over Financial Reporting. Except for the steps to strengthen its control processes previously described under “Controls and Procedures — Disclosure Controls and Procedures” in the Company Annual Report on Form 10-K for fiscal year 2004, no change in the Company’s internal control over financial reporting that occurred during the Company’s first quarter of fiscal 2005 has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In September 1999, a former employee filed a gender discrimination lawsuit against ABM in the state of Washington. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court, in the case named Forbes v. ABM, awarded \$4.0 million in damages. The court later awarded costs of \$0.7 million to the plaintiff, pre-judgment interest in the amount of \$0.3 million and an additional \$0.8 million to mitigate the federal tax impact of the plaintiff’s award. ABM is appealing the jury’s verdict and the award of costs to the State Court of Appeals on the grounds that it was denied a fair trial and that Forbes failed to prove that ABM engaged in discrimination or retaliation. ABM has stayed enforcement of the judgment by procuring a \$7.0 million letter of credit. ABM believes that the award against ABM was excessive and that the verdict was inconsistent with the law and the evidence. Because ABM believes that the judgment will be reversed upon appeal and that it will prevail in a new trial, ABM has not recorded any liability in its financial statements associated with the judgment. However, there can be no assurance that ABM will prevail in this matter. Oral arguments before the State Court of Appeals occurred on February 17, 2005 and a decision is pending.

In 1998 ABM’s parking subsidiary leased a parking facility in Houston, Texas, owned by a limited partnership jointly owned by affiliates of American National Insurance Company (“ANICO”) and partners associated with Gerry Albright (“Albright affiliates.”) In June 2003, the ANICO affiliates notified the Albright affiliates that they would sell their interest in the parking facility. The Albright affiliates accepted the offer and attempted to secure financing. In connection with certain proposed financing for the Albright affiliates, ABM’s parking subsidiary was asked to submit an estoppel certificate and on that certificate it set forth certain claims under the lease. The Albright affiliates subsequently did not close the transaction and the ANICO affiliates acquired the interest in the parking facility held by the Albright affiliates. On December 5, 2003, the Albright affiliates filed a lawsuit against ABM, its parking subsidiary, and certain ANICO affiliates. The complaint alleged that ABM breached its obligations under the parking facility lease

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and committed tortious interference, the ANICO affiliates breached fiduciary responsibilities under the partnership agreement, and that ABM and ANICO were engaged in a conspiracy. Subsequently, claims against ANICO were dismissed. The Albright affiliates assert damages consisting of (1) the value of the parking facility in excess of the purchase price at the time of the proposed purchase by the Albright affiliates (\$1.8 million); (2) lost future revenues from the operation of the parking facility (\$15.4 million); (3) future appreciation of the property during the remainder of the parking facility lease (a range from \$9.9 million to \$39.0 million); (4) exemplary damages; and (5) attorneys' fees. This matter is currently before the Federal District Court in Houston, Texas. ABM believes that it acted in good faith under the terms of the lease and is not liable to the Albright affiliates for their damages related to their inability to secure financing.

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

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

(a) Unregistered Sales and Use of Proceeds

On November 1, 2004, ABM issued 169,151 shares of ABM's common stock as part of the consideration paid for the Company's acquisition of substantially all of the operating assets of Sentinel. The estimated value of the shares was \$3.4 million (using a price per share of \$20.27.)

(c) Stock Repurchases

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (1)
11/1/2004-11/30/2004	—	—	—	1,500,000 shares
12/1/2004-12/31/2004	2,133 shares(2)	\$ 19.45	—	1,500,000 shares
1/1/2005-1/31/2005	—	—	—	—
Total	2,133 shares(2)	\$ 19.45	—	—(3)

- (1) On December 9, 2003, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through December 31, 2004. The Company did not purchase any shares of ABM's common stock in the two months ended December 31, 2004 when this authorization expired.
- (2) Participants in the Company's "Time-Vested" Incentive Stock Option Plan (the "Plan") may exercise stock options by surrendering shares of ABM's common stock that the participants already own as payment of the exercise price. Shares so surrendered by participants in the Plan are repurchased by the Company pursuant to the terms of the Plan and applicable award agreement and not pursuant to publicly announced share repurchase programs.
- (3) On March 7, 2005, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through October 31, 2005.

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Item 6. Exhibits

Exhibit 3.2	-	Bylaws, as amended January 28, 2004.
Exhibit 10.1	-	Executive Stock Option Plan, as amended and restated as of January 11, 2005.
Exhibit 10.2	-	“Time-Vested” Incentive Stock Option Plan, as amended and restated as of January 11, 2005.
Exhibit 10.4	-	“1996 Price-Vested” Performance Stock Option Plan, as amended and restated as of January 11, 2005.
Exhibit 10.6	-	2002 Price-Vested Performance Stock Option Plan, as amended and restated as of January 11, 2005.
Exhibit 10.11	-	Supplemental Executive Retirement Plan, as amended December 6, 2004.
Exhibit 10.24	-	Form of Corporate Executive Employment Agreement effective November 1, 2004.
Exhibit 10.25	-	First Amendment to Corporate Executive Employment Agreement with James P. McClure dated February 2, 2005.
Exhibit 10.26	-	First Amendment to Corporate Executive Employment Agreement with Steven M. Zaccagnini dated February 2, 2005.
Exhibit 10.27	-	First Amendment to Corporate Executive Employment Agreement with George B. Sundby dated February 2, 2005.
Exhibit 10.28	-	Consulting Agreement with Jess E. Benton, III, as of February 1, 2005.
Exhibit 10.29	-	Description of the compensation of non-employee directors for fiscal year beginning November 1, 2004.
Exhibit 31.1	-	Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
Exhibit 31.2	-	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
Exhibit 32.1	-	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ABM Industries Incorporated

March 10, 2005

/s/ George B. Sundby

George B. Sundby

Executive Vice President and Chief Financial Officer

Principal Financial Officer

March 10, 2005

/s/ Maria De Martini

Maria De Martini

Vice President and Controller

Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description
3.2	Bylaws, as amended January 28, 2004.
10.1†	Executive Stock Option Plan, as amended and restated as of January 11, 2005.
10.2†	“Time-Vested” Incentive Stock Option Plan, as amended and restated as of January 11, 2005.
10.4†	“1996 Price-Vested” Performance Stock Option Plan, as amended and restated as of January 11, 2005.
10.6†	2002 Price-Vested Performance Stock Option Plan, as amended and restated as of January 11, 2005.
10.11†	Supplemental Executive Retirement Plan, as amended December 6, 2004.
10.24†	Form of Corporate Executive Employment Agreement effective November 1, 2004.
10.25†	First Amendment to Corporate Executive Employment Agreement with James P. McClure dated February 2, 2005.
10.26†	First Amendment to Corporate Executive Employment Agreement with Steven M. Zaccagnini dated February 2, 2005.
10.27†	First Amendment to Corporate Executive Employment Agreement with George B. Sundby dated February 2, 2005.
10.28	Consulting Agreement with Jess E. Benton, III, effective as of February 1, 2005.
10.29	Description of the compensation of non-employee directors for fiscal year beginning November 1, 2004.
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a).
32.1	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

† Management contract, compensatory plan or arrangement.

ABM INDUSTRIES INCORPORATED

BYLAWS

As Amended January 28, 2004

**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 Shareholder Meetings. Written notice of an annual or special meeting shall be given to each stockholder entitled to vote, not less than ten nor more than sixty days prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage pre-paid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

Section 2.4. Business at Annual Meetings. At an annual meeting of stockholders, only such business shall be conducted as shall have been brought properly before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder (other than the nomination of a person for election as a director, which is governed by Section 3.7 of these Bylaws), the stockholder must have given timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must

be delivered to or mailed 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. 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; 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.

Section 2.5. 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 that 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. The business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.6. 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 entire meeting, and may be inspected by any stockholder who is present.

Section 2.7. Conduct of Meetings. The Board of Directors may adopt by resolution such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chair of any meeting of shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Unless and to the extent determined by the Board of Directors or the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 2.8. Presiding Officer and Secretary. The chairman of the Board of Directors if present, calls the meetings of the stockholders to order and shall act as the presiding officer thereof. 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 2.9. Adjourned Meetings and Notice. 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 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. 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, 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. Voting. At all stockholders meetings for elections or votes for any purpose, there must be a quorum present. All elections for directors shall be determined by a plurality of the votes cast. Except as may otherwise be required by law, by the rules or regulations of any stock exchange on which the securities of the Corporation are listed, or by the Certificate of Incorporation, all other matters shall be decided by a majority of the votes cast affirmatively or negatively. 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.

Section 2.12. Voting Rights. 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. 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 and Waiver of Notice. 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. 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 2.14.

(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 not less than eight nor more than eleven, the exact number within such limits to be fixed from time to time by resolution of the Board, acting by the vote of not less than a majority of the directors then in office. 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.

Section 3.2. Vacancies. If the office of any director becomes vacant for any reason or any new directorship is created by any increase in the authorized number of directors, a majority of the directors then in office, although less than a quorum, may choose a successor or successors to fill the vacancy or newly created directorship. Any director so chosen shall hold office until the next election of the class for which he or she was chosen and until his or her successor is fully elected and qualified, unless sooner removed. 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 3.3. 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 The Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and stockholders of the Corporation. The Chairman of the Board of Directors shall be a member of the Executive Committee. If an employee of the Corporation, the Chairman shall be an officer of the Corporation. 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. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the President, if a director of the Corporation, shall perform such duties and exercise such powers.

Section 3.5. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors.

Section 3.6. Resignation. Any director may resign effective upon giving notice in writing or by electronic transmission 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 3.7. 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 President or on the written request of any two directors.

Section 4.5. Notice of Special Meetings. Notice of the time and place of special meetings of the Board of Directors shall be delivered to each director by overnight delivery service sent 48 hours before the meeting or by notifying each director of the meeting at least 24 hours prior to the time personally, by telephone, or by electronic transmission. 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, transacted 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. 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 a majority 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 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. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board 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.

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, establish committees of the Board with such powers, duties and rules of procedures as may be provided by the resolutions of the Board establishing such committees. 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 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 who meets the criteria for membership on such Committee to act at the meeting in the place of any such absent or disqualified member.

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

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. 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 described in the Audit Committee Charter adopted by this Board and such other duties as the Board of Directors from time to time may prescribe.

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, one of whom shall be an independent director, appointed from time to time by the Board. 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 as may be provided in the resolution establishing the Executive Committee, delegated to another Committee of the Board in that Committee's Charter or in another resolution of the Board or as limited by the General Corporation Law of the State of Delaware.

Section 5.5. Compensation Committee. There shall be a Compensation 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 review and recommend to the Board the compensation and other contractual terms and conditions for employment of the Corporation's executive officers and administer the Corporation's equity-based compensation plans. The Compensation Committee will undertake those specific duties, responsibilities and processes described in the Compensation Committee Charter adopted by this Board and such other duties as the Board of Directors from time to time may prescribe.

Section 5.6 Governance Committee. There shall be a Governance 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 Governance Committee shall be to: review and make recommendations with respect to the nomination of director candidates and executive officer succession and planning and oversee corporate governance for the Corporation. The Governance Committee will undertake those specific duties, responsibilities and processes described in the Governance Committee Charter adopted by this Board and such other duties as the Board of Directors from time to time may prescribe.

ARTICLE VI OFFICERS

Section 6.1 Officers. The officers of the Corporation shall be a chief executive officer, a president, one or more vice presidents (any one or more of whom may be designated executive vice president or senior vice president), a chief financial officer, a treasurer, a secretary, and a controller. The Chairman of the Board, if an employee, shall be an officer of the Corporation with the duties set forth in Section 3.4 of these Bylaws. The Corporation may also have such other officers as the Board of Directors may in its discretion elect or as may be appointed under Section 6.3 of these Bylaws. Any two or more offices may be held by the same person.

Section 6.2 Election. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect all executive officers for the ensuing year. Any vacancy occurring in any principal office of the Corporation by death, resignation, removal or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 6.3 Other Officers. In addition to the officers enumerated in Section 6.1, the Corporation may have one or more other officers which may include staff or division officers, as the Board may appoint. The Board may delegate its authority to appoint other officers to a Board Committee or the president. Each such other officer shall hold office for such period and have such title and responsibilities as the Board or its delegate shall determine and may be removed in accordance with Section 6.4.

Section 6.4 Term. Each officer shall hold office until his successor shall have been chosen and shall have been qualified or until his earlier death, resignation or removal. Any officer may be removed at any time with or without cause by the Board of Directors. Any officer appointed by a delegate of the Board may be removed at any time with or without cause by such delegate. Any officer may resign at any time by giving written notice to the Board of Directors or to the Secretary of the Corporation.

Section 6.5. Salaries. The salaries of all executive officers of the Corporation shall be fixed by the Compensation Committee and the salaries of all other officers shall be fixed by the Compensation Committee or pursuant to its direction.

Section 6.6 The President. The president shall be the chief executive officer of the Corporation, and, subject to the control of the Board of Directors, shall have general and active management over the business and affairs of the corporation. In the absence of the Chairman of the Board, the President shall preside at all meetings of the stockholders and the Board of Directors. In general he shall perform all other duties normally incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6.7 Vice Presidents. In the absence of the President, or in the event of his inability or refusal to act, any Vice President designated by the Board of Directors shall perform the duties and exercise the powers of the President. The Vice Presidents shall perform such other duties as from time to time may be assigned to them by the President or the Board of Directors.

Section 6.8. Chief Financial Officer. The Chief Financial Officer shall be the principal financial officer of the Corporation and shall consider the adequacy of, and make recommendations to the Board of Directors concerning, the capital resources available to the Corporation to meet its projected obligations and business plans; report periodically to the Board of Directors on financial results and trends affecting the business; and, in general, shall perform all other duties normally incident to the office of Chief Financial Officer and shall have such powers and perform such other duties as may from time to time be granted or assigned to such officer by the President or the Board of Directors.

Section 6.9 The Secretary. The Secretary shall (a) keep or cause to be kept the minutes of the meetings of the stockholders, the Board of Directors and committees of the Board of Directors; (b) see that all notices are duly given in accordance with the provisions of these bylaws and as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) have general charge of the stock transfer books of the Corporation; and (e) in general, perform all duties normally incident to the office of Secretary and such other duties as from time to time may be assigned to such officer by the President or the Board of Directors.

Section 6.10 The Controller. The Controller of the Corporation shall be the principal accounting officer of the Corporation and 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 Board of Directors or Chief Financial Officer.

Section 6.11 The Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuables in the name and to the credit of the Company. The treasurer shall also have such other powers and perform such other duties as may be prescribed by the Executive Committee of the Board of Directors.

**ARTICLE VII
INDEMNIFICATION OF DIRECTORS,
OFFICERS, EMPLOYEES AND AGENTS**

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

Section 7.2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection with the defense or settlement of such action or suit and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such costs, charges and expenses which the Court of Chancery or such other court shall deem proper; provided, however, that the foregoing indemnity shall not be applicable as to any person who is or was or agreed to become an employee or agent of the Corporation (other than employees or agents who are or were also officers or directors of the Corporation), or is or was serving or agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise other than employees or agents who are or were also officers or directors of any such other corporation, partnership, joint venture, trust or enterprise), unless and until such indemnity is specifically approved by the Board of Directors.

Section 7.3. Indemnification for Costs, Charges and Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that a present or former 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. To the extent permitted by law, 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 upon such terms and conditions, if any, as the Board of Directors deems appropriate; provided, 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. 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 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 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 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 directors 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 or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer 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 GENERAL PROVISIONS

Section 8.1. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 8.2. 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 to be impressed or affixed or reproduced or otherwise.

**ARTICLE IX
AMENDMENTS**

Section 9.1. 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 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.

ABM INDUSTRIES INCORPORATED
EXECUTIVE STOCK OPTION PLAN
(as amended and restated as of January 11, 2005)

ARTICLE 1

Definitions

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

- (a) "Board" shall mean the Board of Directors of the Company.
 - (b) "Committee" shall mean the Compensation Committee of the Board, or such other committee as the Board may designate. The Committee shall consist of not fewer than three members of the Board. Each member of the Committee shall be a "disinterested person" as defined in Rule 16b-3 under the Securities Exchange Act of 1934.
 - (c) "Company" shall mean ABM Industries Incorporated.
 - (d) For the purposes of this Plan, the term "fair market value," when used in reference to the date of grant of an option or the date of surrender of Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the "Wall Street Journal," or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted.
 - (e) "Nonemployee Director" shall mean a member of the Board who is neither an employee of the Company nor of any Subsidiary.
 - (f) "Option" shall mean an option to purchase Stock granted to the provisions of Article VI hereof.
 - (g) "Optionee" shall mean an individual to whom an Option has been granted hereunder.
 - (h) "Plan" shall mean the ABM Industries Incorporated Executive Stock Option Plan, the terms of which are set forth herein.
 - (i) "Stock" shall mean the Common Stock of the Company or, in the event that the outstanding shares of Stock are hereafter changed into or exchanged for shares of a
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different stock or securities of the Company or some other corporation, such other stock or securities.

(j) "Stock Option Agreement" shall mean the agreement between the Company and the Optionee under which the Optionee may purchase Stock hereunder.

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

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

ARTICLE II

The Plan

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

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

ARTICLE III

Participants

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

automatically shall receive, as of the date of his or her election or appointment to the Board, an Option to purchase 12,000 shares of Stock.

ARTICLE IV

Administration

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

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

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

ARTICLE V

Shares of Stock Subject to Plan

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

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

5.3 Antidilution. In the event that the outstanding shares of Stock hereafter are changed into or exchanged for a different number or kind of shares or other securities of

the Company or of another corporation by reason of merger, consolidation, other reorganization, recapitalization, reclassification, combination of shares, stock split-up or stock dividend:

- (a) The aggregate number and kind of shares subject to Options which may be granted hereunder shall be adjusted appropriately;
- (b) Rights under outstanding Options granted hereunder, both as to the number of subject shares and the Option price, shall be adjusted appropriately;
- (c) Where dissolution or liquidation of the Company or any merger or combination in which the Company is not a surviving corporation is involved, each outstanding Option granted hereunder shall terminate, but the Optionee shall have the right, immediately prior to such dissolution, liquidation, merger, or combination, to exercise his Option in whole or in part, without regard to any time of exercise provisions.

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

ARTICLE VI

Options

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

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

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

price of the Stock subject to each Option granted to a Nonemployee Director shall equal 100% of the Fair Market Value of the Stock on the date the Option is granted.

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

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

6.5 Option Exercise.

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

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

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

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

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

ARTICLE VII

Stock Certificates

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

- (a) The admission of such shares to listing on all stock exchanges on which the Stock is then listed;
- (b) The completion of any registration or other qualification of such shares under any federal or state law or under the rulings or regulations of the Securities Exchange Commission or any other governmental regulatory body, which the Committee shall in its sole discretion deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any federal or state governmental agency which the Committee shall in its sole discretion determine to be necessary or advisable; and
- (d) The lapse of such reasonable period of time following the exercise of the Option as the Committee from time to time may establish or approve for reasons of administrative convenience.

ARTICLE VIII

Amendment and Termination of Plan

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

ARTICLE IX

Miscellaneous

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

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

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

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

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

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

ABM INDUSTRIES INCORPORATED
“TIME VESTED” INCENTIVE STOCK OPTION PLAN
(as amended and restated as of January 11, 2005)

ARTICLE I

GENERAL

1. PURPOSE.

This “Time Vested” Incentive Stock Option Plan (the “Plan”) is intended to increase incentive and to encourage stock ownership on the part of nonemployee directors of ABM Industries Incorporated (the “Company”) and selected key employees of the Company or of other corporations which are to become subsidiaries of the Company, and other individuals whose efforts may aid the Company. It is also the purpose of the Plan to provide such employees and other individuals with a proprietary interest, or to increase their proprietary interest, in the Company and its subsidiaries, and to encourage them to remain in the employ of the Company or its subsidiaries. It is intended that certain options granted pursuant to the Plan shall constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), and that certain other options granted pursuant to the Plan shall not constitute incentive stock options (“nonqualified stock options”).

2. ADMINISTRATION.

The Plan shall be administered by the Officer Compensation & Stock Option Committee (the “Committee”) of the Board of Directors of the Company (the “Board”). The Committee shall from time to time at its discretion make determinations with respect to the persons to who options shall be granted and the amount of such options. The Committee shall consist of not fewer than three members of the Board. Each member of the Committee shall be a “disinterested person” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (“Rule 16b-3”).

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

3. ELIGIBILITY.

Subject to Section 2 of this Article I, the persons who shall be eligible to receive options under the Plan shall be such officers and key employees (including directors who are also salaried employees of the Company) of the Company as the Committee shall select. In addition, independent contractors of the Company who are not also salaried

employees of the Company shall be eligible to receive nonqualified stock options (but such persons shall not be eligible to receive incentive stock options). The terms “officers and key employees” as used herein shall mean such key employees as may be determined by the Committee in its sole discretion. Directors of the Company who are not employees of the Company nor of any of its subsidiary corporations (“nonemployee directors”) shall be eligible only for the options automatically granted pursuant to Article V.

Except where the context otherwise requires, the term “Company,” as used herein, shall include (i) ABM Industries Incorporated and (ii) any of its “subsidiary corporations” which meet the definition of subsidiary corporation contained in Section 424(f) of the Code, and the terms “officers and key employees of the Company,” and words of similar import, shall include officers and key employees of each such subsidiary corporation, as well as officers and key employees of ABM Industries Incorporated.

4. SHARES OF STOCK SUBJECT TO THE PLAN.

The shares that may be issued under the Plan shall be authorized and unissued and reacquired shares of the Company’s common stock (the “Common Stock”). The aggregate number of shares which may be issued under the Plan shall not exceed 8,400,000 shares of Common Stock, unless an adjustment is required in accordance with Article III.

5. AMENDMENT OF THE PLAN.

The Board of Directors may at any time, or from time to time, amend this Plan in any respect, except that, to the extent required to maintain this Plan’s qualification under Rule 16b-3, any such amendment shall be subject to stockholder approval. In addition, as required by Rule 16b-3, the provisions of Article V regarding the formula for determining the amount, exercise price, and timing of nonemployee director options shall in no event be amended more than once every six months, other than to comport with changes in the Code and/or the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). (ERISA is inapplicable to the Plan.)

6. APPROVAL OF STOCKHOLDERS.

All options granted under the Plan before the Plan is approved by affirmative vote at the next meeting of stockholders of the Company, or any adjournment thereof, of the holders of a majority of the outstanding shares of Common Stock shall be subject to such approval. No option granted hereunder may become exercisable unless and until such approval is obtained.

7. TERM OF PLAN.

The Plan, as amended and restated herein, shall remain in effect until amended or terminated by the Board in accordance with Section 5 of Article I. However, without further stockholder approval, no option which is intended to be an incentive stock option

may be granted under the Plan after December 19, 2005. Notwithstanding the foregoing, each option granted under the Plan shall remain in effect until such option has been satisfied by the issuance of shares or terminated in accordance with its terms and the terms of the Plan.

8. RESTRICTIONS

All options granted under the Plan shall be subject to the requirement that, if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares subject to options granted under the Plan upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issuance, if any, or purchase of shares in connection therewith, such options may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

9. NONASSIGNABILITY.

No option shall be assignable or transferable by the grantee except by will or by the laws of descent and distribution. During the lifetime of the optionee, the option shall be exercisable only by him, and no other person shall acquire any rights therein.

10. WITHHOLDING TAXES.

Whenever shares of Common Stock are to be issued under the Plan, the Company shall have the right to require the optionee to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares.

11. DEFINITION OF "FAIR MARKET VALUE."

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

ARTICLE II
STOCK OPTIONS

1. AWARD OF STOCK OPTIONS.

Awards of stock options may be made under the Plan under all the terms and conditions contained herein. However, in the cases of incentive stock options the aggregate fair market value (determined as of the date of grant) of the stock with respect to which incentive stock options are exercisable for the first time by such officer or key employee during any calendar year (under all incentive stock options plans of the Company and its parent and subsidiary corporations) shall not exceed \$100,000. The date on which any option is granted shall be the date of the Committee's authorization of such grant or such later date as may be determined by the Committee at the time such grant is authorized.

2. TERM OF OPTIONS AND EFFECT OF TERMINATION.

Notwithstanding any other provision of the Plan, no nonqualified stock option granted under the Plan shall be exercisable after the expiration of ten (10) years and one (1) month from the date of its grant, and no incentive stock option granted under the Plan shall be exercisable after the expiration of ten (10) years from the date of grant. In addition, notwithstanding any other provision of the Plan, no incentive stock option granted under the Plan to a person who, at the time such option is granted and in accordance with Section 425(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company shall be exercisable after the expiration of five (5) years from the date of its grant.

In the event that any outstanding option under the Plan expires by reason of lapse of time or otherwise is terminated for any reason, then the shares of Common Stock subject to any such option which have not been issued pursuant to the exercise of the option shall again become available in the pool of shares of Common Stock for which options may be granted under the Plan.

3. CANCELLATION OF AND SUBSTITUTION FOR NONQUALIFIED OPTIONS.

The Company shall have the right to cancel any nonqualified stock option at any time before it otherwise would have expired by its terms and to grant to the same optionee in substitution therefor a new nonqualified stock option stating an option price which is lower (but not higher) than the option price stated in the cancelled option. Any such substituted option shall contain all other terms and conditions of the cancelled option provided, however, that notwithstanding Section 2 of this Article II such substituted option shall not be exercisable after the expiration of ten (10) years from the date of grant of the cancelled option.

4. TERMS AND CONDITIONS OF OPTIONS.

Options granted pursuant to the Plan shall be evidenced by agreements in such form as the Committee shall from time to time determine, which agreements shall comply with the following terms and conditions.

(A) OPTIONEE'S AGREEMENT

Each optionee shall agree to remain in the employ of and to render to the Company his services for a period of one (1) year from the date of the option, but such agreement shall not impose upon the Company any obligation to retain the optionee in its employ for any period.

(B) NUMBER OF SHARES AND TYPE OF OPTION

Each option agreement shall state the number of shares to which the option pertains and whether the option is intended to be an incentive stock option or a nonqualified stock option. Notwithstanding any contrary provision of the Plan, during any single fiscal year of the Company, no individual shall be granted options covering more than 100,000 shares of Common Stock.

(C) OPTION PRICE

Each option agreement shall state the option price per share (or the method by which such price shall be computed). The option price per share shall not be less than 99% of the fair market value of a share of the Common Stock on the date such option is granted. In the cases of incentive stock options and options granted to non-employee directors pursuant to Article V hereof, the option price shall be not less than 100% of the fair market value of a share of the Common Stock on the date such option is granted. Notwithstanding the foregoing, the option price per share of an incentive stock option granted to a person who, on the date of such grant and in accordance with Section 424(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company shall be not less than 110% of the fair market value of a share of the Common Stock on the date that the option is granted.

(D) MEDIUM AND TIME OF PAYMENT

The option price shall be payable upon the exercise of an option in the legal tender of the United States or, in the discretion of the Committee, in shares of the Common Stock or in a combination of such legal tender and such shares. Upon receipt of payment, the Company shall deliver to the optionee (or person entitled to exercise the option) a certificate or certificates for the shares of Common Stock to which the option pertains.

(E) EXERCISE OF OPTIONS

Pursuant to the terms of a written option agreement approved by the Committee, each option shall become exercisable at a rate of twenty percent (20%) per year of the shares subject to the option, commencing one year after the date that the option was granted, but only if the optionee has been continuously employed by the Company from the date of grant through the date of vesting. The Committee may, in its discretion, waive any vesting provisions contained in an option agreement.

To the extent that an option has become vested (except as provided in Article III), and subject to the foregoing restrictions, it may be exercised in whole or in such lesser amount as may be authorized by the option agreement provided, however, that no partial exercise of an option shall be for fewer than twenty-five (25) shares. If exercised in part, the unexercised portion of an option shall continue to be held by the optionee and may thereafter be exercised as herein provided. Notwithstanding any inconsistent or contrary Plan provisions, in the event an optionee who is at least age 64 dies while in the service of the Company or of a subsidiary, all unvested options granted after April 19, 1999 shall immediately vest and become fully exercisable as of the date of such death.

(F) TERMINATION OF EMPLOYMENT EXCEPT BY DISABILITY OR DEATH

In the event that an optionee shall cease to be employed by the Company for any reason other than his death or disability, his option shall terminate on the date three (30) months after the date that he ceases to be an employee of the Company.

(G) DISABILITY OF OPTIONEE

If an optionee shall cease to be employed by the Company by reason of his becoming permanently and totally disabled within the meaning of Section 22(e)(3) of the Code (as determined by the Committee), such option shall terminate on the date one (1) year after cessation of employment due to such disability.

(H) DEATH OF OPTIONEE AND TRANSFER OF OPTION

If an optionee should die while in the employ of the Company, or within the three-month period after termination of his employment with the Company during which he is permitted to exercise an option in accordance with Subsection 4(F) of this Article II, such option shall terminate on the date one (1) year after the optionee's death. During such one-year period, such option may be exercised by the executors or administrators of the optionee's estate or by any person or persons who shall have acquired the option directly from the optionee by his will or the applicable law of descent and distribution. During such one-year period, such option may be exercised with respect to the number of shares for which the deceased optionee would have been entitled to exercise it at the time

of his death and also with respect to 10 percent of the additional number of shares for which he would have been entitled to exercise it during the balance of the option period, had he survived and remained in the employ of the Company.

ARTICLE III

RECAPITALIZATIONS AND REORGANIZATIONS

The number of shares of Common Stock covered by the Plan, the maximum number of shares with respect to which options may be granted during any single fiscal year to any employee, and the number of shares and price per share of each outstanding option, shall be proportionately adjusted for any increase or decrease in the number of

issued and outstanding shares of Common Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation, each outstanding option shall pertain to and apply to the securities to which a holder of the same number of shares of Common Stock that are subject to that option would have been entitled (unless the Committee determines the provisions of the following sentences are applicable to such merger or consolidation). A Change in Control of the Company (as defined below) shall cause each outstanding option to terminate, provided that each optionee in the event of a Change in Control which will cause his option to terminate shall have the right immediately prior to such Change in Control to exercise his option in whole or in part, subject to every limitation on the exercisability of such option other than any vesting provisions. For purposes hereof, a "Change in Control" means:

(1) the acquisition (other than by ABM or by an employee benefit plan or related trust sponsored or maintained by ABM), directly or indirectly, in one or more transactions, by any person or by any group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 or any comparable successor provisions (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of twenty-five percent or more of either the outstanding shares of common stock or the combined voting power of ABM's outstanding voting securities entitled to vote generally, if the acquisition was not previously approved by the existing directors;

(2) the acquisition (other than by ABM or by an employee benefit plan or related trust sponsored or maintained by ABM), directly or indirectly, in one or more transactions, by any such person or by any group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of fifty percent or more of either the outstanding shares of common stock or the combined voting power of ABM's outstanding voting securities entitled to vote generally, whether or not the acquisition was approved by the existing directors, other than an acquisition that complies with clause (i) and (ii) of paragraph (3);

(3) consummation of a reorganization, merger or consolidation of ABM or the sale or other disposition of all or substantially all of ABM's assets unless, immediately following such event, (i) all or substantially all of the stockholders of ABM immediately prior to such event own, directly or indirectly, seventy-five percent or more of the then outstanding voting securities entitled to vote generally of the resulting corporation (including without limitation, a corporation which as a result of such event owns ABM or all or substantially all of ABM's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership of ABM's outstanding voting securities entitled to vote generally immediately prior to such event and (ii) the securities of the surviving

or resulting corporation received or retained by the stockholders of ABM is publicly traded;

(4) approval by the stockholders of the complete liquidation or dissolution of ABM; or

(5) a greater than one-third change in the composition of the Board of Directors within 24 months if not approved by a majority of the pre-existing directors.

provided that, with respect of options that are outstanding as of September 22, 1999, the following shall also apply:

A dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving corporation or a “change in control” of the Company (as defined below) (each a “Terminating Transaction”), shall cause each outstanding option to terminate, unless the agreement of merger or consolidation or any agreement relating to a dissolution, liquidation or change in control shall otherwise provide, provided that each optionee in the event of a Terminating Transaction which will cause his option to terminate shall have the right immediately prior to such Terminating Transaction to exercise his option in whole or in part, subject to every limitation on the exercisability of such option other than any vesting provisions. For purposes of this proviso only, a “change of control” shall be deemed to have occurred when (i) a person or group or persons acquires fifty percent (50%) or more of the Company’s voting securities, and (ii) the Board of Directors of the company or the Committee shall have determined that such a “change of control,” as established by the Board or Committee, has been satisfied.

The foregoing adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive.

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

ARTICLE IV

MISCELLANEOUS PROVISIONS

1. RIGHTS AS A STOCKHOLDER.

An optionee or a transferee of an option shall have no rights as a stockholder with respect to any shares covered by an option until the date of the receipt of payment (including any amounts required by the Company pursuant to Section 10 of Article I) by the Company. No adjustment shall be made as to any option for dividends (ordinary or

extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to such date of receipt of payment, except as provided in Article III.

2. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS.

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend, renew or cancel outstanding options granted under the Plan. Notwithstanding the foregoing, however, no modification of an option shall, without the consent of the optionee impair or diminish any rights or obligations under any option theretofore granted under the Plan. For purposes of the preceding sentence, the right of the Company pursuant to Section 3 of Article II to cancel any outstanding nonqualified option and to issue therefor a substituted nonqualified option stating a lower portion price shall not be construed or impairing or diminishing an optionee's rights or obligations.

3. OTHER PROVISIONS.

The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option or restrictions required by any applicable securities laws, as the Committee shall deem advisable.

4. APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of options will be used for general corporate purposes.

5. NO OBLIGATION TO EXERCISE OPTION.

The granting of an option shall impose no obligation upon the optionee or a transferee of the option to exercise such option.

ARTICLE V

NONEMPLOYEE DIRECTOR OPTIONS

The provisions of this Article V are applicable only to options granted to nonemployee directors. The provisions of Article II are applicable to options granted to other individuals.

1. GRANTING OF OPTIONS.

Each nonemployee director who is a nonemployee director on the date of the 1994 Annual Meeting of Stockholders, automatically will receive, as of such date only, an option to purchase 10,000 shares of Common Stock. Each nonemployee director who

becomes a nonemployee director after the 1994 Annual Meeting of Stockholders automatically will receive, as of the date of such nonemployee director's election or appointment to the Board of Directors of the Company, an option to purchase 10,000 shares of Common Stock.

Each continuing nonemployee director (i.e., a nonemployee director who has received an initial grant of an option to purchase 10,000 shares of Common Stock) automatically will receive, on the first day of each subsequent fiscal year, an option to purchase 10,000 shares of Common Stock.

2. TERMS OF OPTIONS.

(A) OPTION AGREEMENT

Each option shall be evidenced by written stock option agreement which shall be executed by the optionee and the Company.

(B) OPTION PRICE

The price of the shares subject to each option shall be 100% of the fair market value for such shares on the date that the option is granted.

(C) EXERCISABILITY

An option granted pursuant to this Article V shall become exercisable at the rate of twenty percent (20%) per year of the shares subject to the option, commencing one year after the date that the option was granted, but only if the optionee has been a nonemployee director continuously from the date of grant through the date of vesting.

(D) EXPIRATION OF OPTIONS

In the event that an optionee shall cease to be a nonemployee director for any reason other than his death or disability, his option shall terminate on the date three (3) months after the date that he ceases to be a nonemployee director.

If an optionee shall cease to be a nonemployee director by reason of his becoming permanently and totally disabled within the meaning of Section 22(e) (3) of the Code (as determined by the Committee), such option shall terminate on the date one (1) year after his cessation of service as nonemployee director.

If an optionee should die while a nonemployee director, or within the three-month period described above in this Subsection 2(D), such option shall terminate on the date one (1) year after the optionee's death. During such one-year period, such option may be exercised by the executors or administrators of the optionee's estate or by any person or persons who shall have acquired the option directly from the optionee by his will or the applicable law of descent and distribution. During such one-year period, such

option may be exercised with respect to the number of shares for which the deceased optionee would have been entitled to exercise it at the time of his death and also with respect to 10 percent of the additional number of shares for which he would have been entitled to exercise it during the balance of the option period, had he survived and remained a nonemployee director.

(E) INCENTIVE STOCK OPTIONS.

Options granted pursuant to this Article V shall not be designated as incentive stock options.

(F) OTHER TERMS.

All provisions of the Plan not inconsistent with this Article V shall apply to options granted to nonemployee directors.

ABM INDUSTRIES INCORPORATED
"1996 PRICE VESTED" PERFORMANCE STOCK OPTION PLAN
(as amended and restated as of January 11, 2005)

1. PURPOSE; DEFINITIONS

The purpose of The Plan is to give ABM Industries Incorporated and its Affiliates a long-term stock option plan to help in attracting, retaining and motivating senior executives, and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value.

For purposes of The Plan, the following terms are defined as set forth below:

- a. "Affiliate" or "Affiliates" means any and all subsidiary corporations or other entities controlled by the Company and designated by The Committee from time to time as such.
 - b. "Board" or "The Board" means the board of directors ("Directors") of the Company.
 - c. "Cause" means:
 - (1) misconduct or any other willful or knowing violation of any Company policy or employment agreement,
 - (2) unsatisfactory performance such that the Company notifies the Optionee of the Company's intention not to renew the Optionee's employment agreement with the Company,
 - (3) a material breach by The Optionee of his or her duties as an employee which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and its affiliated companies (other than a breach arising from the failure of The Optionee to work as a result of incapacity due to physical or mental illness) and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or
 - (4) the conviction of The Optionee of a felony that has been affirmed on appeal or as to which the period in which an appeal can be taken has lapsed.
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- d. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of The Plan, respectively.
- e. "Code" or "The Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- f. "Commission" or "The Commission" means the Securities and Exchange Commission or any successor agency.
- g. "Committee" or "The Committee" means the committee referred to in Section 2 of The Plan.
- h. "Company" or "The Company" means ABM Industries Incorporated, a Delaware corporation.
- i. "Disability" means the inability of The Optionee to perform his or her duties as an employee on an active full-time basis as a result of incapacity due to mental or physical illness which continues for more than ninety (90) days after the commencement of such incapacity, such incapacity to be determined by a physician selected by the Company or its insurers and acceptable to The Optionee or the Optionee's legal representative (such agreement as to acceptability not to be withheld unreasonably).
- j. "Eligible Person" has the meaning stated in Section 4 of The Plan.
- k. "Exchange Act" or "The Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- l. For the purposes of this Plan, the term "Fair Market Value," when used in reference to the date of grant of an option or the date of surrender of Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the "Wall Street Journal," or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted.
- m. "Non-Employee Director" shall mean a member of The Board who qualifies as a disinterested person as defined in Rule 16b-3, as promulgated by The Commission under The Exchange Act, or any successor definition adopted by The Commission, and also qualifies as an "outside director" for the purposes of Section 162(m) of The Code and the regulations promulgated thereunder.
- n. "Optionee" shall mean any Eligible Person who has been granted Stock Options under The Plan.

- o. "Plan" or "The Plan" means the ABM Industries Incorporated "1996 Price Vested" performance Stock Option Plan, as set forth herein and as hereinafter amended from time to time.
- p. "Retirement" means retirement from active full-time employment with the Company or any of its Affiliates at or after age sixty-four (64).
- q. "Rule 16b-3" means Rule 16b-3, as promulgated by The Commission under Section 16(b) of The Exchange Act, as amended from time to time.
- r. "Stock" means common stock, par value \$0.01 per share, of the Company.
- s. "Stock Option" or "Option" means an option granted under Section 5 of The Plan.
- t. "Termination of Employment" means the termination of an Optionee's employment with the Company or any of its Affiliates, excluding any such termination where there is a simultaneous reemployment by the Company or any of its Affiliates. An Optionee shall be deemed to have terminated employment if he or she ceases to perform services for the Company or any of its Affiliates on an active full-time basis, notwithstanding the fact that such Optionee continues to receive compensation or benefits pursuant to an employment contract or other agreement or arrangement with the Company or any of its Affiliates. A non-medical leave of absence shall, unless such leave of absence is otherwise approved by The Committee, be deemed a Termination of Employment. An Optionee employed by an Affiliate of the Company shall also be deemed to incur a Termination of Employment if that Affiliate ceases to be an Affiliate of the Company, as the case may be, and that Optionee does not immediately thereafter become an employee of the Company or any other Affiliate of the Company.

In addition, certain other terms have definitions given to them as they are used herein.

2. ADMINISTRATION

The Plan shall be administered by the Executive Officer Compensation & Stock Option Committee of The Board or such other committee of The Board, composed solely of not less than two Non-Employee Directors, each of whom shall be appointed by and serve at the pleasure of The Board. If at any time no such committee(s) shall be in office, the functions of The Committee specified in The Plan shall be exercised by The Board.

The Committee shall have all discretionary authority to administer the Plan and to grant Stock Options pursuant to the terms of The Plan to senior executives of the Company and any of its Affiliates.

Among other things, The Committee shall have the discretionary authority, subject to the terms of The Plan:

- a. to select the Eligible Persons to whom Stock Options may from time to time be granted;
- b. to determine the number of shares of Stock to be covered by each Stock Option granted hereunder; and
- c. to determine the terms and conditions of any Stock Option granted hereunder including, but not limited to, the option price (subject to Section 5a of The Plan) and any vesting condition, restriction or limitation based on such factors as The Committee shall determine.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing The Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of The Plan and any Stock Option issued under The Plan (and any agreement relating thereto) and to otherwise supervise the administration of The Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of The Committee.

Any determination made by The Committee or pursuant to delegated authority pursuant to the provisions of The Plan with respect to any Stock Option shall be made in the sole discretion of The Committee or such delegate at the time of the grant of the Stock Option or, unless in contravention of any express term of The Plan, at any time thereafter. All decisions made by The Committee or any appropriately delegated officer pursuant to the provisions of The Plan shall be final and binding on all persons, including the Company and Plan participants, and shall be given the maximum deference permitted by law.

3. STOCK SUBJECT TO PLAN

Subject to adjustment as provided herein, the total number of shares of Stock available for grant under The Plan shall be three million (3,000,000). No individual shall be eligible to receive Stock Options to purchase more than 200,000 shares of Stock under The Plan. Shares subject to a Stock Option under The Plan may be authorized and unissued shares or may be treasury shares.

If any Stock Option terminates without being exercised, shares subject to such Stock Option shall be available for further grants under The Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, or extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, The Committee or The Board may make such substitution or adjustments in the number, kind and option price of shares authorized or outstanding as Stock Options, and/or such other equitable substitution or adjustments as its may determine to be appropriate in its sole discretion; provided, however, that the number of shares subject to any Stock Option shall always be a whole number.

4. ELIGIBILITY

Senior executives who are actively employed on a full-time basis by the Company or any of its Affiliates, and who are responsible for or contribute to the management, growth and profitability of the business of the Company or any of Affiliates, are eligible to be granted Stock Options under The Plan (“Eligible Persons”).

5. STOCK OPTIONS

Any Stock Option granted under The Plan shall be in the form attached hereto as Annex “A”, which is incorporated herein and made a part of The Plan, with such changes as The Committee may from time to time approve which are consistent with The Plan. None of the Stock Options granted under The Plan shall be “incentive stock options” within the meaning of Section 422 of The Code.

The grant of a Stock Option shall occur on the date The Committee selects a Senior Executive of the Company or any of its Affiliates to receive any grant of a Stock Option, determines the number of shares of Stock to be subject to such Stock Option to be granted to such Senior Executive, and specifies the terms and provisions of said Stock Option. Such selection shall be evidenced in the records of the Company whether in the minutes of the meetings of The Committee or by their consent in writing. The Company shall notify an Optionee of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Company to the Optionee.

Stock Options granted under The Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as The Committee shall deem desirable:

- a. **OPTION PRICE.** The option price per share of Stock purchasable under a Stock Option shall be the greater of: (i) \$10.00 per share, (ii) the Fair Market Value per share of Stock on the grant date, or (iii) the Fair Market Value per share of Stock on the date of Stockholder approval of The Plan .
- b. **OPTION TERM.** The term of each Stock Option shall be ten (10) years from its date of grant, unless earlier terminated.

- c. EXERCISABILITY. Except as otherwise provided herein, each Stock Option shall be exercisable during its term only if such Stock Option has vested, and only after the first (1st) anniversary of its date of grant.
- d. VESTING. Each Stock Option shall have assigned to it by The Committee a vesting price (the "Vesting Price") which will be used to provide for accelerated vesting so that such Stock Option will vest immediately if, on or before the close of business on the fourth (4th) anniversary of its date of grant, the Fair Market Value of the Common Stock shall have been equal to or greater than the Vesting Price with respect to such Stock Option for ten (10) trading days in any period of thirty (30) consecutive trading days. Any Stock Option that has not vested on or before the close of business on the fourth (4th) anniversary of its date of grant shall vest at the close of business on the business day immediately preceding the eighth (8th) anniversary of its date of grant, if such Option has not previously terminated. Notwithstanding any inconsistent or contrary provision of the Plan, in the event an Optionee who is at least age 64 dies while in the service of the Company or of a subsidiary of the Company, the then unvested portion of such Optionee's Stock Options granted after April 19, 1999 shall immediately vest and become fully exercisable as of the date of such death.
- e. METHOD OF EXERCISE. Subject to the provisions of this Section 5 of The Plan, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

The option price of Stock to be purchased upon exercise of any Option shall be paid in full:

- (1) in cash (by certified or bank check or such other instrument as the Company may accept),
- (2) in the discretion of The Committee, in the form of unrestricted Stock already owned by The Optionee for six (6) months or more and based on the Fair Market Value of the Stock on the date the Stock Option is exercised,
- (3) in any other form approved in the discretion of The Committee, or
- (4) by any combination thereof.

In the discretion of The Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan

proceeds to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

No shares of Stock shall be issued until full payment therefor has been made. The Optionee shall have all of the rights of a stockholder of the Company holding the Stock that is subject to such Stock Option (including, if applicable, the right to vote the share and the right to receive dividends), only when The Optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 9a of The Plan.

f. **NON-TRANSFERABILITY OF STOCK OPTIONS.** No Stock Option shall be transferable by The Optionee other than:

- (1) to a beneficiary designation satisfactory to The Committee, or
- (2) by will or by the laws of descent and distribution.

All Stock Options shall be exercisable, during The Optionee's lifetime, only by The Optionee or by the guardian or legal representative of The Optionee, it being understood that the terms "holder" and "Optionee" include the guardian and legal representative of The Optionee named in the option agreement and any person to whom an option is transferred by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. The Committee may establish such procedures as it deems appropriate for an Optionee to designate a beneficiary to whom any amounts payable in the event of the Optionee's death are to be paid or by whom any rights of the Optionee, after the Optionee's death, may be exercised.

g. **TERMINATION BY DEATH, DISABILITY, RETIREMENT OR BY THE COMPANY WITHOUT CAUSE.** If The Optionee's employment terminates by reason of death, Disability or Retirement, or if such employment is terminated by the Company without Cause, in each case prior to the vesting of a Stock Option held by The Optionee, the following provisions shall apply:

- (1) if termination occurs by death or Disability, or by the Company without Cause, such Stock Options shall be exercisable only within ninety (90) days of such termination, and only if such Stock Options are then vested; and
- (2) if termination occurs by Retirement or other "voluntary quit," such Stock Options shall terminate immediately.

- h. **TERMINATION BY THE COMPANY FOR CAUSE.** If The Optionee's employment is terminated by the Company for Cause prior to the vesting of a Stock Option, such Stock Options shall terminate immediately.
- i. **TERMINATION AFTER VESTING.** If The Optionee's employment is terminated for any reason after a Stock Option has vested, such Stock Options shall be exercisable only within ninety (90) days of such termination.
- j. **CHANGE IN CONTROL CASH OUT.** Notwithstanding any other provision of The Plan, upon the occurrence of a Change of Control all outstanding Stock Options shall immediately vest and become fully exercisable, and during the ninety (90) day period from and after such Change in Control (the "Exercise Period"), The Optionee shall have the right, in lieu of the payment of the exercise price for the shares of Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within ninety (90) days of such notice, in an amount equal to the amount by which the Change in Control Price per share of Stock on the date of such election shall exceed the exercise price per share of Stock under the Stock Option (the "Spread"), multiplied by the number of shares of Stock granted under the Stock Option as to which the right granted under this Section 5j of The Plan shall have been exercised.

Notwithstanding the foregoing, if any right granted pursuant to this Section 5j of The Plan would make a Change in Control transaction ineligible for pooling of interests accounting under APB No. 16 than but for this Section 5j of The Plan would otherwise be eligible for such accounting treatment, The Committee shall have the authority to replace the cash payable pursuant to this Section 5j of The Plan with Stock having a Fair Market Value equal to the cash that would otherwise be payable hereunder. For purposes of this Section 5j only, the date of grant of any Stock Option approved by The Committee on December 17, 1996 shall be deemed to be the date on which The Plan is approved by the Company's stockholders.

6. CHANGE IN CONTROL PROVISIONS

- a. **IMPACT OF EVENT.** Notwithstanding any other provision of The Plan to the contrary, in the event of a Change in Control, any Stock Options outstanding as of the date such Change in Control is determined to have occurred, and not then vested and exercisable, shall become vested and exercisable to the full extent of the original grant, provided that such

accelerated vesting shall occur only if The Optionee is an active full-time employee of the Company or any of its Affiliates as of such date.

b. **DEFINITION OF CHANGE IN CONTROL.** For purposes of The Plan, a “Change in Control” shall mean the happening of any of the following events:

(i) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any person or by any group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 or any comparable successor provisions (the “Exchange Act”), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of twenty-five percent or more of either the outstanding shares of common stock or the combined voting power of the Company’s outstanding voting securities entitled to vote generally, if the acquisition was not previously approved by the existing directors;

(ii) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any such person or by any group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of fifty percent or more of either the outstanding shares of common stock or the combined voting power of the Company’s outstanding voting securities entitled to vote generally, whether or not the acquisition was approved by the existing directors, other than an acquisition that complies with clause (x) and (y) of paragraph (iii) below;

(iii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the Company’s assets unless immediately following such event, (x) all or substantially all of the stockholders of the Company immediately prior to such event own, directly or indirectly, seventy-five percent or more of the then outstanding voting securities entitled to vote generally of the resulting corporation (including without limitation, a corporation which as a result of such event owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership of the Company’s outstanding voting securities entitled to vote generally immediately prior to such event, and (y) the securities of the surviving or resulting corporation received or retained by the stockholders of the Company are publicly traded;

(iv) approval by the stockholders of the complete liquidation or dissolution of the Company; or

(v) a greater than one-third change in the composition of the Board of Directors within 24 months if not approved by a majority of the pre-existing directors.

provided, however, that, in respect of options outstanding as of September 22, 1999, a “Change of Control” shall also mean the happening at any of the following events:

(1) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of The Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under The Exchange Act) of thirty percent (30%) or more of either:

(a) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”), or

(b) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of Directors (the “Outstanding Company Voting Securities”),

(c) excluding, however, the following acquisitions of Outstanding Company Common Stock and Outstanding Company Voting Securities:

(i) any acquisition directly from the Company (other than an acquisition pursuant to the exercise of a conversion privilege),

(ii) any acquisition by the Company,

(iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporate controlled by the Company, or

(iv) any acquisition by any Person pursuant to a reorganization, merger or consolidation if, following such reorganization, merger or consolidation, the conditions described in Section 6b(3) of The Plan are satisfied; or

(2) Individuals who, as of the effective date of The Plan, constitute The Board (the “Incumbent Board”) cease for any reason to constitute

at least a majority of The Board; provided, however, that any individual who becomes a member of The Board subsequent to such effective date, whose election, or nomination for election by the Company's shareholders, was approved by:

(a) a vote of at least a majority of Directors then comprising the Incumbent Board, or

(b) a vote of at least a majority of the Directors then constituting the Executive Committee of The Board at a time when such Committee comprised at least five members and all members of such Committee were either members of the Incumbent Board or considered as being members of the Incumbent Board, pursuant to Section 6b(2)(a),

shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under The Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than The Board shall not be so considered as a member of the incumbent Board; or

(3) Approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company ("Business Combination"); excluding, however, such a Business Combination pursuant to which:

(a) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination own, directly or indirectly, more than sixty percent (60%) of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be,

(b) no Person (other than the Company, any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or such corporation resulting from such Business Combination and any Person beneficially owning, immediately prior to such Business Combination, directly or indirectly, twenty percent (20%) or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities, as the case may be) will beneficially own, directly or indirectly, twenty (20%) or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, and

(c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of The Board, providing for such Business Combination; or

(4) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

c. CHANGE IN CONTROL PRICE. For purposes of The Plan, "Change in Control Price" means the higher of:

(1) the highest reported sales price, regular way, of a share of Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national securities exchange on which such shares are listed or on NASDAQ, as applicable, during the ninety (90) day period prior to and including the date of a Change in Control, or

(2) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of a Stock Option which:

(a) is held by an Optionee who is an officer of the Company and is subject to Section 16(b) of The Exchange Act, and

(b) was granted within two hundred and forty (240) days of the Change in Control,

then the Change in Control Price for such Stock Option shall be the Fair Market Value of the Stock on the date such Stock Option is

exercised or canceled. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of The Board.

7. TERM, AMENDMENT AND TERMINATION

The Plan will terminate on December 17, 2006. Stock Options outstanding as of December 17, 2006 shall not be affected or impaired by the termination of The Plan.

The Committee shall have authority to amend The Plan without the approval of the Company's stockholders to take into account changes in law and tax and accounting rules, including Rule 16b-3 and Section 162(m) of The Code; provided that no amendment shall be made without the Optionee's consent which would impair the rights of an Optionee under a Stock Option theretofore granted.

8. UNFUNDED STATUS OF PLAN

It is presently intended that The Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under The Plan to deliver Stock or make payments; provided, however, that, unless The Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of The Plan.

9. GENERAL PROVISIONS

- a. The Committee may require each person purchasing shares pursuant to a Stock Option to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which The Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of The Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Stock under The Plan prior to fulfillment of all of the following conditions:

- (1) the listing or approval for listing,
- (2) any registration or other qualification, and
- (3) the obtaining of any other consent, approval, or permit from any state or federal governmental agency which The Committee shall, in

its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

- b. Nothing contained in The Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for any Optionee.
- c. The adoption of The Plan shall not confer upon any Optionee any right to continued employment, nor shall it interfere in any way with the right of the Company or any of its Affiliates to terminate the employment of any Optionee with or without cause at any time whatsoever absent a written employment contract to the contrary.
- d. No later than the date as of which an amount first becomes includable in the gross income of the Optionee for federal income tax purposes with respect to any Stock Option under The Plan, and prior to the delivery of any shares of Stock to any Optionee, the Optionee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld by the Company with respect to such amount. In the discretion of The Committee, withholding obligations may be settled with Stock in an amount having a Fair Market Value not exceeding the minimum withholding tax payable by the Optionee with respect to the income recognized, including Stock that is subject to the Stock Option that gives rise to the withholding requirement. The obligations of the Company under The Plan shall be conditional on such payment or arrangements, and the Company and any of its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Optionee. The Committee shall establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with Stock.
- e. In the case of a grant of a Stock Option to any employee of a Company Affiliate, the Company, may, if The Committee so directs, issue or transfer the shares of Stock covered by the Stock Option to the Affiliate, for such lawful consideration as The Committee may specify, upon the condition or understanding that the Affiliate will transfer the shares of Stock to that Optionee in accordance with the terms of the Stock Option specified by The Committee pursuant to the provisions of The Plan.
- f. The Plan and all Stock Options made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of law.

10. EFFECTIVE DATE OF PLAN

Subject to approval by the Stockholders of the Company on March 18, 1997, The Plan shall be effective on December 17, 1996.

ABM INDUSTRIES INCORPORATED
2002 PRICE-VESTED PERFORMANCE STOCK OPTION PLAN
(as amended and restated as of January 11, 2005)

1. PURPOSE; DEFINITIONS.

ABM Industries Incorporated hereby establishes the ABM Industries Incorporated 2002 Price-Vested Performance Stock Option Plan (the "Plan"), effective as of December 11, 2001. The purpose of the Plan is to give ABM Industries Incorporated and its Affiliates a long-term stock option plan to help in recruiting, retaining motivating and rewarding senior executives, and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value.

For purposes of the Plan, the following terms are defined as set forth below:

- a. "Affiliate" or "Affiliates" means any and all subsidiary corporations or other entities controlled by the Company and designated by the Committee from time to time as such.
 - b. "Board" or "the Board" means the board of directors ("Directors") of the Company.
 - c. "Cause" means:
 - (1) misconduct or any other willful or knowing violation of any Company policy or employment agreement,
 - (2) unsatisfactory performance such that the Company notifies the Optionee of the Company's intention not to renew the Optionee's employment agreement with the Company,
 - (3) a material breach by the Optionee of his or her duties as an employee which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and its affiliated companies (other than a breach arising from the failure of the Optionee to work as a result of incapacity due to physical or mental illness) and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or
 - (4) the conviction of the Optionee of a felony that has been affirmed on appeal or as to which the period in which an appeal can be taken has lapsed.
 - d. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of the Plan, respectively.
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- e. "Code" or "the Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- f. "Commission" or "the Commission" means the Securities and Exchange Commission or any successor agency.
- g. "Committee" or "the Committee" means the committee referred to in Section 2 of the Plan.
- h. "Company" or "the Company" means ABM Industries Incorporated, a Delaware corporation.
- i. "Disability" means the inability of the Optionee to perform his or her duties as an employee on an active fulltime basis as a result of incapacity due to mental or physical illness which continues for more than ninety (90) days after the commencement of such incapacity, such incapacity to be determined by a physician selected by the Company or its insurers and acceptable to the Optionee or the Optionee's legal representative (such agreement as to acceptability not to be withheld unreasonably).
- j. "Eligible Person" has the meaning set forth in Section 4 of the Plan.
- k. "Exchange Act" or "the Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any comparable successor provisions.
- l. For the purposes of this Plan, the term "Fair Market Value," when used in reference to the date of grant of an option or the date of surrender of Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the "Wall Street Journal," or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted.
- m. "Non-Employee Director" shall mean a member of the Board who qualifies as a Non-Employee Director as defined in Rule 16b-3, and also qualifies as an "outside director" for the purposes of Section 162(m) of the Code and the regulations promulgated thereunder.
- n. "Optionee" shall mean any Eligible Person who has been granted Stock Options under the Plan.
- o. "Plan" or "the Plan" means the ABM Industries Incorporated 2002 Price-Vested Performance Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

- p. "Retirement" means retirement from active full-time employment with the Company or any of its Affiliates at or after age sixty-four (64).
- q. "Rule 16b-3" means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.
- r. "Stock" means common stock, par value \$0.01 per share, of the Company.
- s. "Stock Option" or "Option" means an option granted under Section 5 of the Plan.
- t. "Termination of Employment" means the termination of an Optionee's employment with the Company or any of its Affiliates, excluding any such termination where there is a simultaneous reemployment by the Company or any of its Affiliates. An Optionee shall be deemed to have terminated employment if he or she ceases to perform services for the Company or any of its Affiliates on an active full-time basis, notwithstanding the fact that such Optionee continues to receive compensation or benefits pursuant to an employment contract or other agreement or arrangement with the Company or any of its Affiliates. A non-medical leave of absence shall, unless such leave of absence is otherwise approved by the Committee, be deemed a Termination of Employment. An Optionee employed by an Affiliate of the Company shall also be deemed to incur a Termination of Employment if that Affiliate ceases to be an Affiliate of the Company, as the case may be, and that Optionee does not immediately thereafter become an employee of the Company or any other Affiliate of the Company.

In addition, certain other terms have definitions given to them as they are used herein.

2. ADMINISTRATION.

The Plan shall be administered by the Executive Officer Compensation & Stock Option Committee of the Board or such other committee of the Board, composed solely of not less than two Non-Employee Directors, each of whom shall be appointed by and serve at the pleasure of the Board. If at any time no such committee(s) shall be in office, the functions of the Committee specified in the Plan shall be exercised by the Board.

The Committee shall have all discretionary authority to administer the Plan and to grant Stock Options pursuant to the terms of the Plan to senior executives of the Company and any of its Affiliates.

Among other things, the Committee shall have the discretionary authority, subject to the terms of the Plan:

- a. to select the Eligible Persons to whom Stock Options may from time to time be granted;

b. to determine the number of shares of Stock to be covered by each Stock Option granted hereunder; and

c. to determine the terms and conditions of any Stock Option granted hereunder including, but not limited to, the option price (subject to Section 5a of the Plan) and any vesting condition, restriction or limitation based on such factors as the Committee shall determine.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Stock Option issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Stock Option shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Stock Option or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and plan participants, and shall be given the maximum deference permitted by law.

3. STOCK SUBJECT TO PLAN.

Subject to adjustment as provided herein, the total number of shares of Stock available for grant under the Plan shall be four million (4,000,000). No individual shall be eligible to receive Stock Options to purchase more than 200,000 shares of Stock under the Plan. Shares subject to a Stock Option under the Plan may be authorized and unissued shares or may be treasury shares.

If any Stock Option terminates without being exercised, shares subject to such Stock Option shall be available for further grants under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, or extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, the Committee or the Board may make such substitution or adjustments in the number, kind and option price of shares authorized or outstanding as Stock Options, and/or such other equitable substitution or adjustments as its may determine to be appropriate in its sole discretion; provided, however, that the number of shares subject to any Stock Option shall always be a whole number.

4. ELIGIBILITY.

Senior executives who are actively employed on a full-time basis by the Company or any of its Affiliates, and who are responsible for or contribute to the management, growth and profitability of the business of the Company or any of Affiliates, are eligible to be granted Stock Options under the Plan (“Eligible Persons”).

5. STOCK OPTIONS.

Any Stock Option granted under the Plan shall be in the form attached hereto as Annex “A”, which is incorporated herein and made a part of the Plan, with such changes as the Committee may from time to time approve which are consistent with the Plan. None of the Stock Options granted under the Plan shall be “incentive stock options” within the meaning of Section 422 of the Code.

The grant of a Stock Option shall occur on the date the Committee selects a Senior Executive of the Company or any of its Affiliates to receive any grant of a Stock Option, determines the number of shares of Stock to be subject to such Stock Option to be granted to such Senior Executive, and specifies the terms and provisions of said Stock Option. Such selection shall be evidenced in the records of the Company whether in the minutes of the meetings of the Committee or by their consent in writing. The Company shall notify an Optionee of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Company to the Optionee.

Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Committee shall deem desirable:

- a. Option Price. The option price per share of Stock purchasable under a Stock Option shall be the Fair Market Value per share of Stock on the grant date.
- b. Option Term. The term of each Stock Option shall be ten (10) years from its date of grant, unless earlier terminated.
- c. Exercisability. Except as otherwise provided herein, each Stock Option shall be exercisable during its term only if such Stock Option has vested, and only after the first (1st) anniversary of its date of grant.
- d. Vesting. Each Stock Option shall have assigned to it by the Committee a vesting price (the “Vesting Price”) which will be used to provide for accelerated vesting so that such Stock Option will vest immediately if, on or before the close of business on the fourth (4th) anniversary of its date of grant, the Fair Market Value of the Common Stock shall have been equal to or greater than the Vesting Price with respect to such Stock Option for ten (10) trading days in any period of thirty (30) consecutive trading days. Any Stock Option that has not vested on or before the close of business on the fourth (4th) anniversary of its date of grant shall vest at the close of business on the business day

immediately preceding the eighth (8th) anniversary of its date of grant, if such Option has not previously terminated.

e. Method of Exercise. Subject to the provisions of this Section 5 of the Plan, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

The option price of Stock to be purchased upon exercise of any Option shall be paid in full:

- (1) in cash (by certified or bank check or such other instrument as the Company may accept),
- (2) in the discretion of the Committee, in the form of unrestricted Stock already owned by the Optionee for six (6) months or more and based on the Fair Market Value of the Stock on the date the Stock Option is exercised,
- (3) in any other form approved in the discretion of the Committee, or
- (4) by any combination thereof.

In the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

No shares of Stock shall be issued until full payment therefor has been made. The Optionee shall have all of the rights of a stockholder of the Company holding the Stock that is subject to such Stock Option (including, if applicable, the right to vote the share and the right to receive dividends), only when the Optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 9a of the Plan.

f. Non-transferability of Stock Options. No Stock Option shall be transferable by the Optionee other than:

- (1) pursuant to a beneficiary designation satisfactory to the Committee, or
- (2) by will or by the laws of descent and distribution. All Stock Options shall be exercisable, during the Optionee's lifetime, only by the Optionee or by the guardian or legal representative of the Optionee, it being understood that the terms

“holder” and “Optionee” include the guardian and legal representative of the Optionee named in the option agreement and any person to whom an option is transferred by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. The Committee may establish such procedures as it deems appropriate for an Optionee to designate a beneficiary to whom any amounts payable in the event of the Optionee’s death are to be paid or by whom any rights of the Optionee, after the Optionee’s death, may be exercised.

g. Termination by Death, Disability, Retirement or by the Company Without Cause. If the Optionee’s employment terminates by reason of death, Disability or Retirement, or if such employment is terminated by the Company without Cause, in each case prior to the vesting of a Stock Option held by the Optionee, the following provisions shall apply:

(1) if termination occurs by death or Disability, or by the Company without Cause, such Stock Options shall be exercisable only within ninety (90) days of such termination, and only if such Stock Options are then vested; and

(2) if termination occurs by Retirement or other “voluntary quit,” such Stock Options shall terminate immediately.

h. Termination by the Company for Cause. If the Optionee’s employment is terminated by the Company for Cause prior to the vesting of a Stock Option, such Stock Options shall terminate immediately.

i. Termination After Vesting. If the Optionee’s employment is terminated for any reason after a Stock Option has vested, such Stock Options shall be exercisable only within ninety (90) days of such termination,

j. Change in Control Cash Out. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control all outstanding Stock Options shall immediately vest and become fully exercisable, and during the ninety (90) day period from and after such Change in Control (the “Exercise Period”), the Optionee shall have the right, in lieu of the payment of the exercise price for the shares of Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within ninety (90) days of such notice, in an amount equal to the amount by which the Change in Control Price per share of Stock on the date of such election shall exceed the exercise price per share of Stock under the Stock Option (the “Spread”), multiplied by the number of shares of Stock granted under the Stock Option as to which the right granted under this Section 5j of the Plan shall have been exercised.

6. CHANGE IN CONTROL PROVISIONS.

a. Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, any Stock Options outstanding as of the date such Change

in Control is determined to have occurred, and not then vested and exercisable, shall become vested and exercisable to the full extent of the original grant, provided that such accelerated vesting shall occur only if the Optionee is an active full-time employee of the Company or any of its Affiliates as of such date.

b. Definition of Change in Control. For purposes of the Plan, a "Change in Control" shall mean the happening of any of the following events:

(i) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any person or by any group of persons, within the meaning of Section 13(d) or 14(d) of the Exchange Act of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of twenty-five percent or more of either the outstanding shares of common stock or the combined voting power of the Company's outstanding voting securities entitled to vote generally, if the acquisition was not previously approved by the existing directors;

(ii) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any such person or by any group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of fifty percent or more of either the outstanding shares of common stock or the combined voting power of the Company's outstanding voting securities entitled to vote generally, whether or not the acquisition was approved by the existing directors, other than an acquisition that complies with clause (x) and (y) of paragraph (iii) below;

(iii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the Company's assets unless, immediately following such event, (x) all or substantially all of the stockholders of the Company immediately prior to such event own, directly or indirectly, seventy-five percent or more of the then outstanding voting securities entitled to vote generally of the resulting corporation (including without limitation, a corporation which as a result of such event owns the Company or all or substantially all of the Company's assets either directly or their ownership of the Company's outstanding voting securities entitled to vote generally immediately prior to such event and (y) the securities of the surviving or resulting corporation received or retained by the stockholders of the Company is publicly traded;

(iv) approval by the stockholders of the complete liquidation or dissolution of the Company; or

(v) a greater than one-third change in the composition of the Board of Directors within 24 months if not approved by a majority of the pre-existing directors.

c. Change in Control Price. For purposes of the Plan, "Change in Control Price" means the higher of:

(1) the highest reported sales price, regular way, of a share of Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national securities exchange on which such shares are listed or on Nasdaq, as applicable, during the ninety (90) day period prior to and including the date of a Change in Control, and or

(2) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of a Stock Option which:

(a) is held by an Optionee who is an officer of the Company and is subject to Section 16(b) of the Exchange Act, and

(b) was granted within two hundred and forty (240) days of the Change in Control, then the Change in Control Price for such Stock Option shall be the Fair Market Value of the Stock on the date such Stock Option is exercised or canceled. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Board.

7. TERM, AMENDMENT AND TERMINATION.

The Plan will terminate on December 11, 2011. Stock Options outstanding as of December 11, 2011 shall not be affected or impaired by the termination of the Plan.

The Committee shall have authority to amend the Plan without the approval of the Company's stockholders to take into account changes in law and tax and accounting rules, including Rule 16b-3 and Section 162(m) of the Code; provided that no amendment shall be made without the Optionee's consent which would impair the rights of an Optionee under a Stock Option theretofore granted.

8. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

9. GENERAL PROVISIONS.

a. The Committee may require each person purchasing shares pursuant to a Stock Option to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Stock under the Plan prior to fulfillment of all of the following conditions:

(1) the listing or approval for listing

(2) any registration or other qualification

(3) the obtaining of any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

b. Nothing contained in the Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for any Optionee.

c. The adoption of the Plan shall not confer upon any Optionee any right to continued employment, nor shall it interfere in any way with the right of the Company or any of its Affiliates to terminate the employment of any Optionee with or without cause at any time whatsoever absent a written employment contract to the contrary.

d. No later than the date as of which an amount first becomes includable in the gross income of the Optionee for federal income tax purposes with respect to any Stock Option under the Plan, and prior to the delivery of any shares of Stock to any Optionee, the Optionee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld by the Company with respect to such amount. In the discretion of the Committee, withholding obligations may be settled with Stock in an amount having a Fair Market Value not exceeding the minimum withholding tax payable by the Optionee with respect to the income recognized, including Stock that is subject to the Stock Option that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and any of its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Optionee. The Committee shall establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with Stock.

e. In the case of a grant of a Stock Option to any employee of a Company Affiliate, the Company, may, if the Committee so directs, issue or transfer the shares of Stock covered by the Stock Option to the Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer the shares of Stock to that Optionee in accordance with the terms of the Stock Option specified by the Committee pursuant to the provisions of the Plan.

f. The Plan and all Stock Options made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of law.

10. EFFECTIVE DATE OF PLAN.

Subject to approval by the stockholders of the Company, the Plan shall be effective on December 11, 2001.

ABM INDUSTRIES INCORPORATED
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
PLAN DOCUMENT AS AMENDED DECEMBER 6, 2004

Preamble

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

ARTICLE I

Definitions

Section 1.01.

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

- (h) "Plan" means this Supplemental Executive Retirement Plan as it may be amended from time to time.
- (i) "Retirement" means retirement at or after attaining age 65.
- (j) "Supplemental Benefit" means the total amount allocated to the benefit of a Participant under the Plan.
- (k) "Subsidiary" means a company of which ABM owns, directly or indirectly, at least a majority of the shares having voting power in the election of directors.

ARTICLE II

Designation of Participants and Allocation of Total Fund

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

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

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

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

ARTICLE III

Future Payments

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

Section 3.02. Until and except to the extent that Supplemental Benefits hereunder are distributed to the Participants or Beneficiaries from time to time in accordance with orders of the Administrative Committee, the interest of each Participant and Beneficiary herein is that of a general creditor of ABM and is contingent on and subject to forfeiture as provided in Section 3.06. Title to and beneficial ownership of any assets, whether cash or investments, which ABM may set aside or

accrue to meet its obligations hereunder, shall at all times remain the property of ABM. No Participant or Beneficiary shall under any circumstances acquire any property interest in any specific assets of ABM.

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

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

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

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

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

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

ARTICLE IV

Administration

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

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

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

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

ARTICLE V

Amendment of Plan

Section 5.01. The Compensation Committee, or to the extent provided below, the Administrative Committee may at any time modify or amend any or all of the provisions of the Plan. The Administrative Committee may amend the Plan to bring the Plan into compliance with applicable law or, to make such other changes as the Administrative Committee deems desirable, provided that such changes do not materially increase the cost of the Plan to ABM or take the Plan out of compliance with applicable law; and provided further that the Committee may not admit new participants to the plan or amend this 5.01.

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

ARTICLE VI

Entire Agreement

This Supplemental Executive Retirement Plan Document and the most recently dated Grant Certificate delivered to a Participant and properly signed by an officer of ABM, shall supersede all prior plans, documents, agreements, offers, contracts or clauses, whether designated as "Executive Retirement", "Post Employment Consultancy" or by any other term, which refer to the benefit of such Participant which is the subject matter of this Plan Document.

Encls: SERP Grant Certificate
 SERP Designation of Beneficiary Form

ABM Industries Incorporated
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
DESIGNATION OF BENEFICIARY

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

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

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

SECTION I: PERSONAL INFORMATION

Name _____ Spouse's Name _____

SSN: _____ Company/Location _____

Home Address _____ City/State/Zip _____

SECTION II: DESIGNATION OF BENEFICIARY

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

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

Name: _____ SSN _____

Address _____

Name: _____ SSN _____

Address _____

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

Name _____ SSN _____

Address _____

Name _____ SSN _____

Address _____

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

Participant's Signature/Date

Spouse's Signature/Date

Witness to Signatures: _____

EXHIBIT 10.24

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made effective as of November 1, 2004, by and between **(Executive)** ("Executive") and **ABM Industries Incorporated** ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

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

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

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

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

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

NOW THEREFORE, Executive and Company agree as follows:

A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

B. TITLE: Executive's title shall be **(Title)**, subject to modification as determined by the Company's Board of Directors.

C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Company's **(Title)** or his or her designee, to whom Executive shall report and be accountable.

D. TERM OF AGREEMENT: Employment hereunder shall be deemed effective as of November 1, 2004, for a term of two years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").

E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in **(City)** in the state of **(State)** a ("State of Employment"), or such other location as shall be mutually agreed upon by Company and Executive.

F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

1. **SALARY:** A salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.

2. **BONUS:** A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof.

Corp Exec Officer

INITIALS: EXECUTIVE ___COMPANY___

- 3. **FRINGE BENEFITS:** Executive shall receive the then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he or she terminate employment with Company for the purpose of being re-employed by a Company affiliate, he or she shall “carry-over” any previously accrued but unused vacation balance to the books of the affiliate.

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

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

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

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

- I. NO CONFLICT:** Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this

Corp Exec Officer

INITIALS: EXECUTIVE ____ COMPANY ____

Agreement. Executive further represents that he or she is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to Company prior to the signing of this Agreement.

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

K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:

1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with its services and products purchased from Company, (c) any particular needs or preferences regarding its service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (e) its billing procedures, (f) its credit limits and payment practices, and (g) its organization structure.
2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be a breach of such trust and confidence and in violation of Executive's common law Duty of Loyalty to the Company.

L. RESTRICTIVE COVENANTS: In recognition of Paragraph K, above, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter as specifically agreed herein:

1. Except in the proper performance of this Agreement, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company while employed by the Company and for a period of one (1) year following Executive's termination of employment.
2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
3. Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.

Corp Exec Officer

INITIALS: EXECUTIVE ___ COMPANY ___

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

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

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

N. EXTENSION OF EMPLOYMENT:

Corp Exec Officer

INITIALS: EXECUTIVE ___ COMPANY ___

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

O. TERMINATION OF EMPLOYMENT:

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

Corp Exec Officer

INITIALS: EXECUTIVE ___ COMPANY ___

passwords and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, prorated Target Bonus, as determined pursuant to Paragraph X.2 or other contingent compensation, reimbursement of business expenses and fringe benefits.

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

Q. ARBITRATION CLAUSE:

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

R. REMEDIES & DAMAGES:

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

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

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

Corp Exec Officer

INITIALS: EXECUTIVE ____ COMPANY ____



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

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

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

W. NOTICES:

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

Executive:

(Executive name)
 (Home address)
 (City, State ZIP)

Company:

ABM Industries Incorporated
 160 Pacific Avenue, Suite 222
 San Francisco, CA 94111
 Attention: Chief Executive Officer

Copy:

ABM Industries Incorporated
 160 Pacific Avenue, Suite 222
 San Francisco, CA 94111
 Attention: Chief Employment Counsel

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

X. SPECIAL PROVISIONS:

1. BASE SALARY:
 - a. **(Salary amount, spelled out)** Dollars **(\$000,000)** per year effective November 1, 2004 through October 31, 2005 at the monthly rate of **\$00,000** payable semi-monthly.
 - b. Effective November 1, 2004 and at the beginning of each Fiscal Year thereafter, Executive shall be eligible, at the sole discretion of the Company, to receive a merit increase based on Executive's job performance.
 - c. At the sole discretion of the Company's Board of Directors (the "Approving Authority") the Company may, at any time, grant a compensation adjustment for reasons deemed appropriate, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.
2. BONUS: Subject to proration in the event of modification or termination of employment hereunder, Executive shall be entitled to participate in the Company's incentive compensation plan which

Corp Exec Officer

INITIALS: EXECUTIVE ___ COMPANY ___

provides for a performance-based bonus (“Bonus”) contingent on the achievement of personal and Corporate objectives for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

- a. A target bonus for this Fiscal Year shall be established equal to **(percentage)**% of the Executive’s actual base salary as established at the beginning of the Fiscal Year for each Fiscal Year (the “Target Bonus”). Executive’s Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 0% to 150% of the Target Bonus to determine Executive’s Actual Bonus. Such adjustment shall be based on Performance Criteria contained in the annual Executive Performance Bonus Modifier Recommendation Calculation Worksheet (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Approving Authority designated in subparagraph X.1.c., above.
 - i. At any time the Approving Authority or its designee reserves the right to further adjust the Performance Criteria in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Approving Authority determines, in good faith, to be appropriate. For purposes of this Agreement, the term “Significant Transaction” shall mean the acquisition or disposition of a business or assets which ABM Industries Incorporated is required to report under Item 2 of the SEC Form 8-K.
 - ii. The Company shall pay Executive the Actual Bonus for the Fiscal Year following completion of the audit of the ABM Industries Incorporated financial statements and approval by the Approving Authority, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any prorated Target Bonus earlier. In the event of modification or termination of employment hereunder, the Company shall pay Executive the prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of Modification or Termination.
 - iii. Absent bad faith or material error, the conclusions of the Approving Authority or its designee with respect to the Performance Criteria or Actual Bonus shall be final and binding on Executive and Company.
- b. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- c. Notwithstanding any other provision hereof, the Approving Authority designated in subparagraph X.1.c., above, may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as it shall determine in its sole discretion. Any decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Approving Authority reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in Paragraph X.2.a., above.

Corp Exec Officer

INITIALS: EXECUTIVE ___ COMPANY ___

EXHIBIT 10.25

February 2, 2005

James P. McClure
8 Lacewing Place
The Woodlands, TX 77380

Via Federal Express

Re: First Amendment to Your Corporate Executive Employment Agreement dated November 1, 2003 with ABM Industries Incorporated

Dear Jim:

As part of the roll-out of the second phase of the Company's new incentive-based bonus program, the ABM Industries, Inc. Board of Directors (the "Board") has proposed the following amendments to your Executive Employment Agreement (the "Agreement") dated November 1, 2003.

The purpose of these changes is to provide the Board with greater flexibility to adjust titles and compensation during the term of the Agreement as duties and responsibilities are changed. Additionally, these changes convert the fixed Profit Bonus percentages to a Target Bonus based on a percentage of base salary, as recommended by the Company's executive compensation consultant.

By signing below, you are agreeing to amend the unexpired term of your Executive Employment Agreement for Fiscal Year 2005 and thereafter, as indicated below:

Section B., TITLE, shall be amended in its entirety, as follows:

Executive's title shall be Executive Vice President and President of ABM Janitorial Services, subject to modification as determined by the Company's Board of Directors.

Section X.1.c. shall be amended in its entirety, as follows:

At the sole discretion of the Company's Board of Directors (the "Approving Authority") the Company may, at any time, grant a compensation adjustment for reasons deemed appropriate, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

Section X.2. shall be amended in its entirety, as follows:

BONUS: Subject to proration in the event of modification or termination of employment hereunder, Executive shall be entitled to participate in the Company's incentive compensation plan which provides for a performance-based bonus ("Bonus") contingent on the achievement of personal and Corporate objectives for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

INITIALS: EXECUTIVE JPMcC COMPANY HCS

- a. A target bonus for this Fiscal Year shall be established equal to 40% of the Executive's actual base salary as established at the beginning of the Fiscal Year for each Fiscal Year (the "Target Bonus"). Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 0% to 150% of the Target Bonus to determine Executive's Actual Bonus. Such adjustment shall be based on Performance Criteria contained in the annual Executive Performance Bonus Modifier Recommendation Calculation Worksheet (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Approving Authority designated in subparagraph X.1.c., above.
- i. At any time the Approving Authority or its designee reserves the right to further adjust the Performance Criteria in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Approving Authority determines, in good faith, to be appropriate. For purposes of this Agreement, the term "Significant Transaction" shall mean the acquisition or disposition of a business or assets which ABM Industries Incorporated is required to report under Item 2 of the SEC Form 8-K.
- ii. The Company shall pay Executive the Actual Bonus for the Fiscal Year following completion of the audit of the ABM Industries Incorporated financial statements and approval by the Approving Authority, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any prorated Target Bonus earlier. In the event of modification or termination of employment hereunder, the Company shall pay Executive the prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of Modification or Termination.
- iii. Absent bad faith or material error, the conclusions of the Approving Authority or its designee with respect to the Performance Criteria or Actual Bonus shall be final and binding on Executive and Company.
- b. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- c. Notwithstanding any other provision hereof, the Approving Authority designated in subparagraph X.1.c., above, may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as it shall determine in its sole discretion. Any decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Approving Authority reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in Paragraph X.2.a., above.

INITIALS: EXECUTIVE JPMcC COMPANY HCS

Section Y., SCOPE OF CERTAIN PROVISIONS, shall be amended in its entirety, as follows:

All references to Company in Paragraphs H, J, K, L, O.3, R and Z in this Agreement shall include ABM Industries Incorporated and its subsidiary corporations and other affiliates.

I have enclosed two originals of this letter along with the referenced Exhibit. If you agree, please initial each page, sign and date both originals, retaining one for your records and returning the other fully-executed original to Susan Szotek no later than February 8, 2005.

Thank you for your continuing support.

Best regards,

/s/ Henrik C. Slipsager

Henrik C. Slipsager

I agree to the foregoing amendment effective as of November 1, 2004:

/s/ James P. McClure

Signature
James P. McClure

2/7/05

Date

INITIALS: EXECUTIVE JPMcC COMPANY HCS

EXHIBIT 10.26

February 2, 2005

Steven M. Zaccagnini
26 Mountain Laurel
Dove Canyon, CA 92679

Via Federal Express

Re: First Amendment to Your Corporate Executive Employment Agreement dated November 1, 2003 with ABM Industries Incorporated

Dear Steve:

As part of the roll-out of the second phase of the Company's new incentive-based bonus program, the ABM Industries, Inc. Board of Directors (the "Board") has proposed the following amendments to your Executive Employment Agreement (the "Agreement") dated November 1, 2003.

The purpose of these changes is to provide the Board with greater flexibility to adjust titles and compensation during the term of the Agreement as duties and responsibilities are changed. Additionally, these changes convert the fixed Profit Bonus percentages to a Target Bonus based on a percentage of base salary, as recommended by the Company's executive compensation consultant.

By signing below, you are agreeing to amend the unexpired term of your Executive Employment Agreement for Fiscal Year 2005 and thereafter, as indicated below:

Section B., TITLE, shall be amended in its entirety, as follows:

Executive's title shall be Senior Vice President of the Company and President of Commair Mechanical Services and ABM Facility Services, subject to modification as determined by the Company's Board of Directors.

Section X.1.c. shall be amended in its entirety, as follows:

At the sole discretion of the Company's Board of Directors (the "Approving Authority") the Company may, at any time, grant a compensation adjustment for reasons deemed appropriate, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

Section X.2. shall be amended in its entirety, as follows:

BONUS: Subject to proration in the event of modification or termination of employment hereunder, Executive shall be entitled to participate in the Company's incentive compensation plan which provides for a performance-based bonus ("Bonus") contingent on the achievement of personal and Corporate objectives for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

INITIALS: EXECUTIVE SMZ COMPANY HCS

- a. A target bonus for this Fiscal Year shall be established equal to 33.3% of the Executive's actual base salary as established at the beginning of the Fiscal Year for each Fiscal Year (the "Target Bonus"). Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 0% to 150% of the Target Bonus to determine Executive's Actual Bonus. Such adjustment shall be based on Performance Criteria contained in the annual Executive Performance Bonus Modifier Recommendation Calculation Worksheet (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Approving Authority designated in subparagraph X.1.c., above.
- i. At any time the Approving Authority or its designee reserves the right to further adjust the Performance Criteria in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Approving Authority determines, in good faith, to be appropriate. For purposes of this Agreement, the term "Significant Transaction" shall mean the acquisition or disposition of a business or assets which ABM Industries Incorporated is required to report under Item 2 of the SEC Form 8-K.
- ii. The Company shall pay Executive the Actual Bonus for the Fiscal Year following completion of the audit of the ABM Industries Incorporated financial statements and approval by the Approving Authority, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any prorated Target Bonus earlier. In the event of modification or termination of employment hereunder, the Company shall pay Executive the prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of Modification or Termination.
- iii. Absent bad faith or material error, the conclusions of the Approving Authority or its designee with respect to the Performance Criteria or Actual Bonus shall be final and binding on Executive and Company.
- b. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- c. Notwithstanding any other provision hereof, the Approving Authority designated in subparagraph X.1.c., above, may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as it shall determine in its sole discretion. Any decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Approving Authority reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in Paragraph X.2.a., above.

INITIALS: EXECUTIVE SMZ COMPANY HCS

Section Y., SCOPE OF CERTAIN PROVISIONS, shall be amended in its entirety, as follows:

All references to Company in Paragraphs H, J, K, L, O.3, R and Z in this Agreement shall include ABM Industries Incorporated and its subsidiary corporations and other affiliates.

I have enclosed two originals of this letter along with the referenced Exhibit. If you agree, please initial each page, sign and date both originals, retaining one for your records and returning the other fully-executed original to Susan Szotek no later than February 8, 2005.

Thank you for your continuing support.

Best regards,

/s/ Henrik C. Slipsager

Henrik C. Slipsager

I agree to the foregoing amendment effective as of November 1, 2004:

/s/ Steven M. Zaccagnini

2/8/05

Signature

Date

Steven M. Zaccagnini

INITIALS: EXECUTIVE SMZ COMPANY HCS

2005 Corporate Executive Amendment

EXHIBIT 10.27

February 2, 2005

George B. Sundby
90 Cedro Avenue
San Francisco, CA 94127

Via Hand Delivery

Re: First Amendment to Your Corporate Executive Employment Agreement dated November 1, 2003 with ABM Industries Incorporated

Dear George:

As part of the roll-out of the second phase of the Company's new incentive-based bonus program, the ABM Industries, Inc. Board of Directors (the "Board") has proposed the following amendments to your Executive Employment Agreement (the "Agreement") dated November 1, 2003.

The purpose of these changes is to provide the Board with greater flexibility to adjust titles and compensation during the term of the Agreement as duties and responsibilities are changed. Additionally, these changes convert the fixed Profit Bonus percentages to a Target Bonus based on a percentage of base salary, as recommended by the Company's executive compensation consultant.

By signing below, you are agreeing to amend the unexpired term of your Executive Employment Agreement for Fiscal Year 2005 and thereafter, as indicated below:

Section B., TITLE, shall be amended in its entirety, as follows:

Executive's title shall be Executive Vice President and Chief Financial Officer, subject to modification as determined by the Company's Board of Directors.

Section X.1.c. shall be amended in its entirety, as follows:

At the sole discretion of the Company's Board of Directors (the "Approving Authority") the Company may, at any time, grant a compensation adjustment for reasons deemed appropriate, including but not limited to a change in Executive's duties resulting in a material increase in responsibility.

Section X.2. shall be amended in its entirety, as follows:

BONUS: Subject to proration in the event of modification or termination of employment hereunder, Executive shall be entitled to participate in the Company's incentive compensation plan which provides for a performance-based bonus ("Bonus") contingent on the achievement of personal and Corporate objectives for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Initial Term, and during the Extended Term, if any, of this Agreement, as follows:

INITIALS: EXECUTIVE GBS COMPANY HCS

- a. A target bonus for this Fiscal Year shall be established equal to 50% of the Executive's actual base salary as established at the beginning of the Fiscal Year for each Fiscal Year (the "Target Bonus"). Executive's Target Bonus shall be further subject to an Executive Performance Bonus Modifier adjustment of 0% to 150% of the Target Bonus to determine Executive's Actual Bonus. Such adjustment shall be based on Performance Criteria contained in the annual Executive Performance Bonus Modifier Recommendation Calculation Worksheet (see copy attached as Exhibit I) as recommended by the person(s) to whom Executive reports and reviewed and approved by the Approving Authority designated in subparagraph X.1.c., above.
- i. At any time the Approving Authority or its designee reserves the right to further adjust the Performance Criteria in the event of a Significant Transaction (as defined below) during a Fiscal Year and/or for any unanticipated and material events that are beyond the control of the Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, and/or the New York Stock Exchange or for any other reason which the Approving Authority determines, in good faith, to be appropriate. For purposes of this Agreement, the term "Significant Transaction" shall mean the acquisition or disposition of a business or assets which ABM Industries Incorporated is required to report under Item 2 of the SEC Form 8-K.
- ii. The Company shall pay Executive the Actual Bonus for the Fiscal Year following completion of the audit of the ABM Industries Incorporated financial statements and approval by the Approving Authority, but no later than seventy-five (75) days after the end of each Fiscal Year. The Company in its sole discretion may pay any prorated Target Bonus earlier. In the event of modification or termination of employment hereunder, the Company shall pay Executive the prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of Modification or Termination.
- iii. Absent bad faith or material error, the conclusions of the Approving Authority or its designee with respect to the Performance Criteria or Actual Bonus shall be final and binding on Executive and Company.
- b. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of the Initial or Extended Term of this Agreement or of employment hereunder.
- c. Notwithstanding any other provision hereof, the Approving Authority designated in subparagraph X.1.c., above, may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus percentage determined hereunder (either higher or lower), based on such performance and financial measures and other factors as it shall determine in its sole discretion. Any decision in this regard shall be deemed final and binding on Executive regardless of the amount of Target or Actual Bonus otherwise calculated pursuant to the foregoing provisions. In addition, the Approving Authority reserves the option at any time to grant a discretionary incentive bonus, which shall not be subject to the maximum Bonus provisions described in Paragraph X.2.a., above.

INITIALS: EXECUTIVE GBS COMPANY HCS

Section Y., SCOPE OF CERTAIN PROVISIONS, shall be amended in its entirety, as follows:

All references to Company in Paragraphs H, J, K, L, O.3, R and Z in this Agreement shall include ABM Industries Incorporated and its subsidiary corporations and other affiliates.

I have enclosed two originals of this letter along with the referenced Exhibit. If you agree, please initial each page, sign and date both originals, retaining one for your records and returning the other fully-executed original to Susan Szotek no later than February 8, 2005.

Thank you for your continuing support.

Best regards,

/s/ Henrik C. Slipsager

Henrik C. Slipsager

I agree to the foregoing amendment effective as of November 1, 2004:

/s/ George B. Sundby

2/3/2005

Signature

Date

George B. Sundby

INITIALS: EXECUTIVE GBS COMPANY HCS

2005 Corporate Executive Amendment

EXHIBIT 10.28

February 7, 2005

Dear Jay:

ABM accepts your offer to remain as a consultant for a period of one-year at a consulting fee of \$8,333/ month effective as of February 1, 2005. You will be an independent contractor, not an employee, and entitled to reimbursement for all out-of-pocket expenses incurred at my request or direct authorization. You agree that you will be available for consultation for up to 30 hours per month at mutually agreed upon times. You will also agree to remain as a director of SSA Security, Inc. and Elite Security, Inc. until outstanding security license applications are granted and as an officer of Elite Security, Inc. for a period of two weeks from the date of this letter. We will mutually agree upon other services that you will perform.

You will be eligible for indemnification to the extent set forth under ABM's Bylaws and, in your capacity as a director or officer of an ABM subsidiary, under ABM's directors and officers liability insurance.

ABM and you agree to waive the written notice period for terminating your employment under your Corporate Executive Employee Agreement effective as of November 1, 2003 ("Benton Agreement"). ABM and you agree that it was our mutual intent at the time of execution of the Benton Agreement that your employment terminate on January 31, 2005, and that your employment terminated effective such date.

This consulting agreement will terminate upon your death or permanent disability or may be terminated by you upon 30 days written notice. It may be terminated by ABM upon 30 days notice for just cause. "Just cause" includes but is not limited to: (a) any theft or other dishonesty, (b) material neglect of duties, (c) inability or unwillingness to perform duties, (d) abuse of alcohol or other drugs, (e) breach of this Agreement, or (f) other material misconduct, unethical or unlawful activity.

Please accept this offer by executing below and signing the attached letter of resignation.

We appreciate your ongoing efforts on ABM's behalf.

Very truly yours,

AGREED AND ACCEPTED

/s/ Jess E. Benton

Jess E. Benton

DATED: 2/7/05

Attachment

Material Contracts

Set forth below are arrangements between ABM Industries Incorporated (the "Registrant") and various of its directors that are not set forth in a formal written document.

On October 18, 2004, the Governance Committee of the Board of Directors of the Registrant approved the compensation of non-employee directors for its fiscal year beginning November 1, 2004. Non-employee directors will receive an annual retainer of \$36,000, and meeting fees of \$2,000 for in-person Board and Committee meetings, \$2,000 for telephonic meetings of two or more hours, and \$1,000 for telephonic meetings of less than two hours. In addition, the Chair of the Audit Committee will receive an additional fee of 100% of the applicable meeting fee for each Audit Committee meeting and each of the Chairs of the other Committees (Governance Committee, Compensation Committee, and Executive Committee) will receive an additional fee of 50% of the applicable meeting fee for each meeting of his or her respective Committee. The fees to the Committee Chairs took effect November 1, 2004, except for the Chair of the Executive Committee, which took effect January 1, 2005.

Chairman of the Board Martinn Mandles, whose employment ended on November 1, 2004, will receive an additional annual retainer for fiscal year 2005 of \$36,000. In addition, Registrant will pay Mr. Mandles \$50,000 in fiscal year 2005 for certain transition services.

As a result of the expected reduced frequency of meetings of the Executive Committee on a going forward basis, effective January 1, 2005, Registrant made a lump sum retirement payment of \$300,000 to Chairman of the Executive Committee William Steele and terminated the annual consulting retainer of \$100,000 paid to Mr. Steele. The Registrant will continue to pay an annual fee of \$100,000 to director Theodore Rosenberg, who receives no fees for meetings of the Executive Committee.

These arrangements were the subject of a Form 8-K filed by the Registrant on October 22, 2004.

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

I, Henrik C. Slipsager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABM Industries Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 10, 2005

/s/ Henrik C. Slipsager

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

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

I, George B. Sundby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABM Industries Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 10, 2005

/s/ George B. Sundby

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

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

In connection with the quarterly report of ABM Industries Incorporated (the "Company") on Form 10-Q for the period ended January 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henrik C. Slipsager, Chief Executive Officer of the Company, and George B. Sundby, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 10, 2005

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

March 10, 2005

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