

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JULY 31, 2007
- 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 of Incorporation)

94-1369354

(I.R.S. Employer Identification No.)

160 Pacific Avenue, Suite 222, San Francisco, California

(Address of principal executive offices)

94111

(Zip Code)

415/733-4000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

Number of shares of common stock outstanding as of August 31, 2007: 49,927,034.

ABM INDUSTRIES INCORPORATED
FORM 10-Q
For the three and nine months ended July 31, 2007
Table of Contents

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1.</u> <u>Financial Statements</u>	3
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	33
<u>Item 4.</u> <u>Controls and Procedures</u>	33
<u>PART II. OTHER INFORMATION</u>	33
<u>Item 1.</u> <u>Legal Proceedings</u>	33
<u>Item 1A.</u> <u>Risk Factors</u>	34
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 5B.</u> <u>Other Information</u>	39
<u>Item 6.</u> <u>Exhibits</u>	39
<u>SIGNATURES</u>	40
<u>EXHIBIT INDEX</u>	41
<u>EXHIBIT 10.1</u>	
<u>EXHIBIT 10.2</u>	
<u>EXHIBIT 10.3</u>	
<u>EXHIBIT 10.4</u>	
<u>EXHIBIT 10.8</u>	
<u>EXHIBIT 10.16</u>	
<u>EXHIBIT 31.1</u>	
<u>EXHIBIT 31.2</u>	
<u>EXHIBIT 32.1</u>	

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

<u>(in thousands, except share amounts)</u>	July 31, 2007	October 31, 2006
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 107,325	\$ 134,001
Trade accounts receivable	407,875	392,018
Less: Allowances	(7,449)	(8,041)
Accounts receivable, net	400,426	383,977
Inventories	22,466	22,783
Deferred income taxes	42,339	43,945
Prepaid expenses and other current assets	64,292	47,035
Prepaid income taxes	5,622	—
Total current assets	642,470	631,741
Long-term receivables	12,823	14,097
Property, plant and equipment, at cost		
Land and buildings	3,949	4,131
Transportation equipment	15,135	14,659
Machinery and other equipment	92,010	82,405
Leasehold improvements	16,007	17,827
	127,101	119,022
Less: Accumulated depreciation	(90,865)	(86,837)
Property, plant and equipment, net	36,236	32,185
Goodwill, net of accumulated amortization	253,819	247,888
Other intangible assets, at cost	43,709	39,431
Less: Accumulated amortization	(19,377)	(15,550)
Other intangible assets, net	24,332	23,881
Deferred income taxes	44,014	42,120
Other assets	30,817	24,362
Total assets	\$1,044,511	\$1,016,274

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	July 31, 2007 (Unaudited)	October 31, 2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$ 69,240	\$ 66,336
Income taxes payable	1,318	36,712
Accrued liabilities		
Compensation	79,383	78,673
Taxes — other than income	21,192	20,587
Insurance claims	65,906	66,364
Other	48,888	50,613
Total current liabilities	285,927	319,285
Retirement plans and other non-current liabilities	26,785	26,917
Insurance claims	138,140	128,825
Total liabilities	450,852	475,027
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; 56,928,482 and 55,663,472 shares issued at July 31, 2007 and October 31, 2006, respectively	570	557
Additional paid-in capital	258,458	225,796
Accumulated other comprehensive income	462	149
Retained earnings	456,507	437,083
Cost of treasury stock (7,028,500 shares)	(122,338)	(122,338)
Total stockholders' equity	593,659	541,247
Total liabilities and stockholders' equity	\$1,044,511	\$1,016,274

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
			(Unaudited)	
Revenues				
Sales and other income	\$717,549	\$689,275	\$2,118,949	\$2,015,984
Expenses				
Operating expenses and cost of goods sold	647,137	612,434	1,896,555	1,810,932
Selling, general and administrative	52,214	48,428	162,428	150,851
Amortization of intangible assets	1,435	1,357	4,106	4,428
Interest	105	122	347	366
Total expenses	700,891	662,341	2,063,436	1,966,577
Income before income taxes	16,658	26,934	55,513	49,407
Income taxes	4,659	9,682	18,088	17,773
Net income	\$ 11,999	\$ 17,252	\$ 37,425	\$ 31,634
Net income per common share				
Basic	\$ 0.24	\$ 0.35	\$ 0.76	\$ 0.64
Diluted	\$ 0.23	\$ 0.35	\$ 0.74	\$ 0.64
Average common and common equivalent shares				
Basic	49,845	48,846	49,332	49,086
Diluted	51,134	49,306	50,541	49,735
Dividends declared per common share	\$ 0.12	\$ 0.11	\$ 0.36	\$ 0.33

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31

(in thousands)	2007	2006
		(Unaudited)
Cash flows from operating activities:		
Net income	\$ 37,425	\$ 31,634
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,284	15,772
Share-based compensation expense	7,034	2,584
Provision for bad debt	874	1,290
Gain on sale of assets	(491)	(704)
(Increase) decrease in deferred income taxes	(288)	3,519
Increase in trade accounts receivable	(17,323)	(24,797)
Decrease (increase) in inventories	317	(337)
Increase in prepaid expenses and other current assets	(16,673)	(3,134)
Increase in other assets and long-term receivables	(5,214)	(1,563)
(Decrease) increase in income taxes	(41,016)	8,150
(Decrease) increase in retirement plans and other non-current liabilities	(132)	41
Increase in insurance claims	8,857	5,455
Increase (decrease) in trade accounts payable and other accrued liabilities	2,782	(5,354)
Total adjustments to net income	(46,989)	922
Net cash (used in) provided by operating activities	(9,564)	32,556
Cash flows from investing activities:		
Additions to property, plant and equipment	(16,247)	(11,139)
Proceeds from sale of assets	2,297	1,594
Purchase of businesses	(10,311)	(9,525)
Net cash used in investing activities	(24,261)	(19,070)
Cash flows from financing activities:		
Common stock issued	24,952	11,412
Common stock purchases	—	(13,942)
Dividends paid	(17,803)	(16,209)
Net cash provided by (used in) financing activities	7,149	(18,739)
Net decrease in cash and cash equivalents	(26,676)	(5,253)
Cash and cash equivalents at beginning of period	134,001	56,793
Cash and cash equivalents at end of period	\$ 107,325	\$ 51,540
Supplemental Data:		
Cash paid for income taxes	\$ 54,924	\$ 3,868
Tax benefit from exercise of options	\$ 4,468	\$ 2,235
Cash received from exercise of options	\$ 20,484	\$ 9,177
Non-cash investing activities:		
Common stock issued for business acquired	\$ 491	\$ —

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 July 31, 2007, the results of operations for the three and nine months then ended, and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature, except as otherwise noted. All information in the Notes to Consolidated Financial Statements and references to the years are based on the Company's fiscal year which ends on October 31 and the three-month and nine-month periods which end on July 31.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of sales and expenses during the reporting period. These estimates are based on information available as of the date of these financial statements. Actual results could differ materially from those estimates.

The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and 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, 2006, as filed with the Securities and Exchange Commission (SEC).

2. Adoption of a New Accounting Standard

In June 2006, the Financial Accounting Standards Board (FASB) issued Emerging Issues Task Force (EITF) Issue No. 06-3 (EITF 06-3), "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)." EITF 06-3 requires companies to disclose the presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer (*e.g.*, sales and use tax) as either gross or net in the accounting policies included in the notes to the financial statements. EITF 06-3 became effective beginning in the second quarter of 2007. The Company continues to report revenues net of sales and use tax imposed on the related transaction.

3. Net Income per Common Share

The Company has reported its earnings in accordance with Statement of Financial Accounting Standards (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 and restricted stock units account for the difference between basic average common shares outstanding and diluted average common shares outstanding. Performance shares do not currently have an effect on the diluted average common shares outstanding. The calculation of net income per common share was as follows:

[Table of Contents](#)

(in thousands, except per share data)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
Net income available to common stockholders	\$ 11,999	\$ 17,252	\$ 37,425	\$ 31,634
Average common shares outstanding — Basic	49,845	48,846	49,332	49,086
Effect of dilutive securities:				
Stock options	1,174	460	1,132	649
Restricted stock units	115	—	77	—
Average common shares outstanding — Diluted	51,134	49,306	50,541	49,735
Net income per common share				
Basic	\$ 0.24	\$ 0.35	\$ 0.76	\$ 0.64
Diluted	\$ 0.23	\$ 0.35	\$ 0.74	\$ 0.64

The diluted net income per common share excludes the anti-dilutive effects of options to purchase 92,682 and 2,628,003 common shares for the three months ended July 31, 2007 and 2006, respectively, and 6,233 restricted stock units for the three months ended July 31, 2007.

The diluted net income per common share excludes the anti-dilutive effects of options to purchase 311,506 and 2,209,721 common shares for the nine months ended July 31, 2007 and 2006, respectively, and 31,675 restricted stock units for the nine months ended July 31, 2007.

4. Share-Based Compensation Plans

The following tables show the activity under the Company's share-based compensation plans.

Options

	Number of shares (in thousands)	Weighted- average exercise price per share	Weighted- average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at October 31, 2006	5,712	\$16.09		
Granted	93	25.71		
Exercised	1,072	14.78		
Forfeited or expired	259	17.52		
Outstanding at July 31, 2007	4,474	\$16.52	6.02	\$38,698
Exercisable at July 31, 2007	2,549	\$16.09	4.79	\$23,112

Restricted Stock Units

	Number of shares (in thousands)	Weighted-average grant date fair value per share
Outstanding at October 31, 2006	232	\$18.71
Granted	97	26.11
Converted from Director Retirement Plan	28	27.00
Issued	—	—
Forfeited	17	19.33
Outstanding at July 31, 2007	340	\$21.47
Vested at July 31, 2007	28	\$27.00

Performance Shares

	Number of shares (in thousands)	Weighted-average grant date fair value per share
Outstanding at October 31, 2006	125	\$18.71
Granted	34	25.91
Issued	—	—
Forfeited	1	18.71
Outstanding at July 31, 2007	158	\$20.29

None of the performance shares had vested at July 31, 2007.

Share-Based Compensation Expense

The Company recognized share-based compensation expense as follows:

(in thousands, except per share data)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
Share-based compensation expense recognized in selling, general and administrative expenses	\$1,224	\$ 529	\$7,034	\$2,584
Income tax benefit	491	148	2,727	473
Total share-based compensation expense after income taxes	\$ 733	\$ 381	\$4,307	\$2,111

Total share-based compensation expense after income taxes — per common share

Basic	\$ 0.01	\$0.01	\$ 0.09	\$ 0.04
Diluted	\$ 0.01	\$0.01	\$ 0.09	\$ 0.04

Share-based compensation expense in the three and nine months ended July 31, 2007 included \$0.1 million and \$4.0 million, respectively, of expense attributable to the accelerated vesting of stock options under the Price-Vested Performance Stock Option Plans. When ABM's stock price achieved \$22.50 and \$23.00 target prices for ten trading days within a 30 consecutive trading day period during the first quarter of 2007, options for 481,638 shares vested in full. When ABM's stock price achieved \$25.00 and \$26.00 target prices for ten trading days within a 30 consecutive trading day period during the second quarter of 2007, options for 452,566 shares vested in full. When ABM's stock price achieved a \$27.50 target price for ten trading days within a 30 consecutive trading day period during the third quarter of 2007, options for 36,938 shares vested in full.

Share-based compensation expense of \$0.8 million associated with the Employee Stock Purchase Plan (ESPP) was recognized in the six months ended April 30, 2006. Because of changes to the ESPP effective May 1, 2006, the value of the awards is no longer treated as share-based compensation. As a result, no share-based compensation expense associated with the ESPP was recognized in the three months ended July 31, 2006 and the three and nine months ended July 31, 2007.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option valuation model. The Company estimates forfeiture rates based on historical data and adjusts the rates annually or as needed. The adjustment of the forfeiture rate may result in a cumulative adjustment in any period the forfeiture rate estimate is changed. Adjustments to the forfeiture rate did not result in material adjustments to share-based compensation expense in the first nine months of 2007.

The weighted average assumptions used in the option valuation model for the nine months ended July 31, 2007 and 2006 are shown in the table below. No options were granted in the three months ended July 31, 2007 and 2006.

[Table of Contents](#)

	Nine Months Ended	
	July 31,	
	2007	2006
Expected term from the date of grant	5.2 years	6.7 years
Expected stock price volatility	25.3%	26.3%
Expected dividend yield	2.1%	2.1%
Risk-free interest rate	4.4%	4.4%
Weighted average fair value of grants	\$6.35	\$5.67

5. Parking 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 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 \$69.6 million and \$69.2 million for the three months ended July 31, 2007 and 2006, respectively, and \$208.8 million and \$196.1 million for the nine months ended July 31, 2007 and 2006, 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 \$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 per occurrence (inclusive of legal fees) to \$1.0 million per occurrence (exclusive of legal fees) except for California workers' compensation insurance which increased to \$2.0 million per occurrence from April 14, 2003 to April 14, 2005, when it returned to \$1.0 million per occurrence, plus an additional \$1.0 million annually in the aggregate.

The Company periodically evaluates its estimated claim costs and liabilities and accrues self-insurance reserves to its best estimate. Management also 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 knowledge of all factors affecting the trends that may or may not be reflective of adverse developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). If the trends suggest that the frequency or severity of claims incurred has 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. A May 31, 2006 evaluation covering substantially all of the Company's self-insurance reserves showed favorable developments in the California workers' compensation and general liability claims that exceeded the adverse developments in the claims outside of California by \$7.9 million, which was attributable to the first six months of 2006 and prior years. Of the \$7.9 million benefit, \$4.7 million pertained to prior years and was recorded in Corporate while the remaining \$3.2 million was allocated to the operating segments. A January 31, 2007 evaluation showed a consistent trend with a net favorable development amounting to an aggregate of \$4.2 million. A May 31, 2007 evaluation continued to follow a similar trend, however, the adverse developments in the claims for workers' compensation outside of California for years prior to 2007 exceeded the favorable developments in the California workers' compensation and general liability programs by \$4.9 million. Both the 2007 benefit and the expense were recorded in Corporate in the first and third quarter of 2007, respectively. The total estimated liability for claims incurred at July 31, 2007 and October 31, 2006 was \$204.0 million and \$195.2 million, respectively.

[Table of Contents](#)

The Company also uses these evaluations to develop insurance rates for each operation, which are expressed per \$100 of exposure (labor and revenue). These rates become a factor in pricing by the regions/segments and in determining the operating profits of each segment.

In connection with certain self-insurance programs, the Company had standby letters of credit at July 31, 2007 and October 31, 2006 supporting estimated unpaid liabilities in the amounts of \$102.3 million and \$93.5 million, respectively.

7. Goodwill and Other Intangibles

Goodwill. The changes in the carrying amount of goodwill for the nine months ended July 31, 2007 were as follows:

(in thousands)	Balance as of October 31, 2006	Goodwill Related to		Balance as of July 31, 2007
		Initial Payments for Acquisitions	Contingent Amounts and Other	
Janitorial	\$153,890	\$ —	\$2,767	\$156,657
Parking	30,180	2,671	—	32,851
Security	43,642	—	493	44,135
Engineering	2,174	—	—	2,174
Lighting	18,002	—	—	18,002
Total	\$247,888	\$2,671	\$3,260	\$253,819

Of the \$253.8 million carrying amount of goodwill as of July 31, 2007, \$45.3 million was not amortizable for income tax purposes.

Other Intangibles. The changes in the gross carrying amount and accumulated amortization of intangibles other than goodwill for the nine months ended July 31, 2007 were as follows:

(in thousands)	Gross Carrying Amount				Accumulated Amortization			
	October 31, 2006	Additions	Retirements and Other	July 31 2007	October 31, 2006	Additions	Retirements and Other	July 31 2007
Customer contracts and related relationships	\$33,713	\$3,966	\$ —	\$37,679	\$(12,281)	\$(3,542)	\$ —	\$(15,823)
Trademarks and trade names	3,050	800	—	3,850	(1,767)	(432)	—	(2,199)
Other (contract rights, etc.)	2,668	—	(488)	2,180	(1,502)	(132)	279	(1,355)
Total	\$39,431	\$4,766	\$(488)	\$43,709	\$(15,550)	\$(4,106)	\$279	\$(19,377)

The weighted average remaining lives as of July 31, 2007 and the amortization expense for the three and nine months ended July 31, 2007 and 2006 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				Estimated Amortization Expense				
		Three Months Ended July 31,		Nine Months Ended July 31,		Years Ending October 31,				
		2007	2006	2007	2006	2008	2009	2010	2011	2012
Customer contracts and related relationships	9.0	\$1,239	\$1,181	\$3,542	\$3,587	\$4,474	\$3,859	\$3,243	\$2,628	\$2,070
Trademarks and trade names	5.4	155	135	432	405	620	282	80	80	80
Other (contract rights, etc.)	6.8	41	41	132	436	163	146	116	116	97
Total	8.7	\$1,435	\$1,357	\$4,106	\$4,428	\$5,257	\$4,287	\$3,439	\$2,824	\$2,247

[Table of Contents](#)

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 assets 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.

8. 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 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 of the company or business for subsequent periods ranging generally from two to five years.

Payments for acquisitions, including the initial amount and contingent amounts due on earlier acquisitions, were \$10.8 million and \$9.5 million in the nine months ended July 31, 2007 and 2006, respectively. Of those payments, \$3.7 million and \$4.1 million for the nine months ended July 31, 2007 and 2006, respectively, represented contingent amounts. All payments were made in cash except for one contingent payment of \$0.5 million that was settled with the issuance of 26,459 shares of ABM's common stock in the nine months ended July 31, 2007.

The Company made the following acquisition during the nine months ended July 31, 2007:

On April 2, 2007, the Company acquired substantially all of the operating assets of HealthCare Parking Systems of America, Inc., a provider of healthcare-related parking services based in Tampa, Florida, for \$7.1 million in cash. In addition, \$4.7 million is expected to be paid based on the financial performance of the acquired business over the three years following the acquisition. If certain growth thresholds are achieved, additional payments will be required in years four and five. With annual revenues in excess of \$26.0 million, HealthCare Parking Systems of America, Inc. was a provider of premium parking management services exclusively to hospitals, health centers, and medical office buildings across the United States. Of the total initial payment, \$3.5 million was initially allocated to customer relationship intangible assets (amortized over a useful life of 10 years under the sum-of-the-year-digits method), \$0.8 million to trademarks intangible assets (amortized over a useful life of 10 years under the straight-line method), \$2.7 million to goodwill, and \$0.1 million to other assets.

The Company made the following acquisitions during the nine months ended July 31, 2006:

On November 1, 2005, the Company acquired substantially all of the operating assets of Brandywine Building Services, Inc., a facility services company based in Wilmington, Delaware, for approximately \$3.6 million in cash. In the nine months ended July 31, 2007, a contingent payment of \$0.6 million was made, bringing the total purchase price paid to date to \$4.2 million. Additional cash consideration of approximately \$1.8 million is expected to be paid based on the financial performance of the acquired business over the three years following the acquisition. With annual revenues in excess of \$9.0 million, Brandywine Building Services, Inc. was a provider of commercial office cleaning and specialty cleaning services throughout Delaware, southeast Pennsylvania and south New Jersey. Of the total initial payment, \$3.0 million was allocated to customer relationship intangible assets (amortized over a useful life of 14 years under the sum-of-the-year-digits method), \$0.5 million to goodwill, and \$0.1 million to other assets. The contingent payment was allocated to goodwill.

Table of Contents

On November 27, 2005, the Company acquired substantially all of the operating assets of Fargo Security, Inc., a security guard services company based in Miami, Florida, for an initial payment of approximately \$1.2 million in cash plus an additional payment of \$0.4 million based on the revenue retained by the acquired business over the 90 days following the date of acquisition. With annual revenues in excess of \$6.5 million, Fargo Security, Inc. was a provider of contract security guard services throughout the Miami metropolitan area. Of the total initial payment, \$1.0 million was allocated to customer relationship intangible assets (amortized over a useful life of five years under the sum-of-the-year-digits method), and \$0.2 million to goodwill. The final contingent payment of \$0.4 million made in 2006 was allocated to goodwill.

On December 11, 2005, the Company acquired substantially all of the operating assets of MWS Management, Inc., dba Protector Security Services, a security guard services company based in St. Louis, Missouri, for an initial payment of approximately \$0.6 million in cash plus an additional payment of \$0.3 million based on the revenue retained by the acquired business over the 90 days following the date of acquisition. With annual revenues in excess of \$2.6 million, Protector Security Services was a provider of contract security guard services throughout the St. Louis metropolitan area. Of the total initial payment, \$0.6 million was allocated to customer relationship intangible assets (amortized over a useful life of six years under the sum-of-the-year-digits method). The final contingent payment of \$0.3 million made in 2006 was allocated to goodwill.

9. Line of Credit Facility

ABM has a \$300 million syndicated line of credit scheduled to expire in May 2010. 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 0.375% to 1.125% or, for overnight borrowings, at the prime rate or, for overnight to one week borrowings, at the Interbank Offered Rate (IBOR) plus a spread of 0.375% to 1.125%. The spreads for LIBOR and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a non-use fee payable quarterly, in arrears, of 0.100%, 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 July 31, 2007 and October 31, 2006, the total outstanding amounts under the facility were \$107.8 million and \$98.7 million, respectively, in the form of standby letters of credit.

The facility includes usual and customary covenants for a credit facility of this type, including covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, the facility also requires that the Company satisfy three financial covenants: (1) a fixed charge coverage ratio greater than or equal to 1.50 to 1.0 at fiscal quarter-end; (2) a leverage ratio of less than or equal to 3.25 to 1.0 at fiscal quarter-end; and (3) consolidated net worth greater than or equal to the sum of (i) \$341.9 million, (ii) an amount equal to 50% of the consolidated net income earned in each full fiscal quarter ending after May 25, 2005 (with no deduction for a net loss in any such fiscal quarter) and (iii) an amount equal to 100% of the aggregate increases in stockholders' equity of the Company after May 25, 2005 by reason of the issuance and sale of capital stock or other equity interests of ABM, including upon any conversion of debt securities of ABM into such capital stock or other equity interests, but excluding by reason of the issuance and sale of capital stock pursuant to the Company's ESPP, employee stock option plans and similar programs. The Company is currently in compliance with all covenants.

10. Comprehensive Income

Comprehensive income consists of net income and other related gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income. For the Company, such other comprehensive income items consist of unrealized foreign currency translation gains and losses. The Company's other comprehensive income was \$0.2 million in the three months ended July 31, 2007. No other comprehensive income was recorded in the three months ended July 31, 2006. Comprehensive income for the three months ended July 31, 2007 and 2006 was \$12.2 million and \$17.3 million, respectively. The Company's other comprehensive income was \$0.3 million for each of the nine months ended July 31, 2007 and 2006. Comprehensive income for the nine months ended July 31, 2007 and 2006 was \$37.7 million and \$31.9 million, respectively.

11. Treasury Stock

No stock repurchases were made in the first nine months of 2007. The Company may repurchase up to 2,000,000 shares of ABM's common stock at any time through October 31, 2007 as authorized by the Board of Directors of ABM on December 12, 2006.

The Company repurchased 800,000 shares of ABM's common stock during the first nine months of 2006 at a cost of \$13.9 million (an average price of \$17.43 per share) under a March 29, 2006 authorization by the Board of Directors of ABM that expired on October 31, 2006.

12. Benefit and Incentive Plans

The Company offers various benefit and incentive plans to its employees and directors. Detailed descriptions of these plans are included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2006, as filed with the SEC.

Executive Officer Incentive Plan

The purpose of the Executive Officer Incentive Plan (Incentive Plan) is to provide annual performance-based cash incentives to certain employees of the Company and to motivate those employees to set and achieve above-average financial and non-financial goals. The Incentive Plan gives the Compensation Committee of the Board of Directors of ABM the ability to award cash bonuses that qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code. The aggregate funds available for bonuses under the Incentive Plan are three percent of pre-tax operating income for the award year. The plan sets forth certain limits on the awards to each of the covered employees eligible for bonuses under the Incentive Plan.

Retirement and Post-Retirement Plans

The Company has two unfunded defined benefit plans. The Supplemental Executive Retirement Plan represents retirement agreements for current and former senior executives including two directors who are former employees. The Service Award Benefit Plan represents an unfunded severance pay plan covering certain qualified employees. The Supplemental Executive Retirement Plan was amended effective December 31, 2002 to preclude new participants and the Service Award Benefit Plan was frozen effective January 1, 2002. The Company also has one unfunded post-retirement benefit plan, the Death Benefit Plan, which also precludes new participants effective March 1, 2003.

The Company had a Non-Employee Director Retirement Plan that was eliminated for new directors effective October 1, 2006. The individual retirement plan balances were frozen at October 31, 2006. On November 1, 2006, \$1.1 million of the \$1.8 million liability was transferred to the Director Deferred Compensation Plan based on certain directors' elections. The remaining \$0.7 million was converted to 28,341 restricted stock units at the fair market value of ABM common stock on March 6, 2007, the date of the 2007 annual meeting of the stockholders of ABM.

[Table of Contents](#)

The net expense of the defined benefit retirement plans and the post-retirement benefit plan for the three and nine months ended July 31, 2007 and 2006 was as follows:

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
Defined Benefit Retirement Plans				
Service cost	\$ 13	\$ 37	\$ 16	\$125
Interest	93	119	278	353
Amortization of actuarial loss	30	27	91	83
Net expense	\$136	\$183	\$385	\$561
Post-Retirement Benefit Plan				
Service cost	\$ 7	\$ 8	\$ 19	\$ 23
Interest	60	62	181	185
Amortization of actuarial gain	(12)	—	(37)	—
Net expense	\$ 55	\$ 70	\$163	\$208

Deferred Compensation Plans

The Company has an unfunded Deferred Compensation Plan available to executive, management, administrative and sales employees whose annualized base salary equals or exceeds \$100,000. The plan allows employees to defer from 1% to 20% of their pre-tax compensation. At July 31, 2007, there were 64 active participants and 41 retired or terminated employees participating in the plan.

On October 23, 2006 the Board of Directors adopted an unfunded Director Deferred Compensation Plan. Based on certain directors' elections, \$1.1 million of the \$1.8 million liability under the Non-employee Directors' Retirement Plan was transferred to the Director Deferred Compensation Plan. For each plan year commencing with 2007, a director may elect to defer receipt of all or any portion of the compensation that he or she would otherwise receive from ABM. At July 31, 2007, there were 4 active directors participating in the plan.

The deferred amount under both plans earns interest equal to the prime interest rate on the last day of the calendar quarter up to 6%. If the prime rate exceeds 6%, the interest rate is equal to 6% plus one half of the excess over 6%. Starting April 1, 2007, interest on amounts in only the Deferred Compensation Plan is further capped at 120% of the long-term applicable federal rate (compounded quarterly). The average interest rates credited to both plans for the three and nine months ended July 31, 2007 were 5.87% and 6.56%, respectively, and to the Deferred Compensation Plan for the three and nine months ended July 31, 2006 were 7.13% and 6.93%, respectively.

The transactions under the two deferred compensation plans for the three and nine months ended July 31, 2007 and 2006 were as follows:

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
Participant contributions	\$ 144	\$ 147	\$ 605	\$ 544
Interest accrued	\$ 155	\$ 163	\$ 512	\$ 485
Payments	\$(245)	\$(132)	\$(1,398)	\$(1,804)

401(k) Plans

The Company made matching contributions required by its 401(k) plans for the three months ended July 31, 2007 and 2006 in the amounts of \$1.3 million each and for the nine months ended July 31, 2007 and 2006 in the amounts of \$4.1 million each.

Pension Plans Under Collective Bargaining Agreements

Certain qualified employees of the Company are covered under union-sponsored multi-employer defined benefit plans. Contributions made for these plans were \$9.5 million and \$8.4 million in the three months ended July 31, 2007 and 2006, respectively, and \$27.9 million and \$25.2 million in the nine months ended July 31, 2007 and 2006, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

13. 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. Most Corporate expenses are not allocated. Such expenses include the Company's share-based compensation costs and adjustments to the Company's self-insurance reserves relating to prior years. Until damages and costs are awarded or a matter is settled, the Company also accrues probable and estimable losses associated with pending litigation in Corporate.

(in thousands)	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007	2006	2007	2006
Sales and other income				
Janitorial	\$408,923	\$395,872	\$1,208,667	\$1,164,830
Parking	122,973	115,719	356,300	327,503
Security	81,829	77,404	240,196	230,978
Engineering	75,827	71,665	222,649	206,705
Lighting	26,607	28,097	86,587	84,241
Corporate	1,390	518	4,550	1,727
	\$717,549	\$689,275	\$2,118,949	\$2,015,984
Operating profit				
Janitorial	\$ 22,076	\$ 23,131	\$ 62,676	\$ 58,786
Parking	4,838	4,552	15,845	9,202
Security	1,937	1,980	2,603	2,442
Engineering	4,174	4,450	10,144	11,400
Lighting	334	116	1,599	700
Corporate	(16,596)	(7,173)	(37,007)	(32,757)
Operating profit	16,763	27,056	55,860	49,773
Interest expense	(105)	(122)	(347)	(366)
Income before income taxes	\$ 16,658	\$ 26,934	\$ 55,513	\$ 49,407

14. Contingencies

The Company accrues amounts it believes are adequate to address any liabilities related to litigation and arbitration proceedings, and other contingencies that the Company believes will result in a probable loss. However, the ultimate resolution of such matters is always uncertain. It is possible that any such proceedings brought against the Company could have a material adverse impact on its financial condition and results of operations. The total amount accrued for probable losses at July 31, 2007 was \$1.7 million.

15. Income Taxes

The estimated annual effective tax rate used in both the first nine months of 2007 and 2006 was 37.5%. The effective tax rates were, however, 28.0% and 35.9% in the third quarter of 2007 and 2006, respectively, and 32.6% and 36.0% in the first nine months of 2007 and 2006, respectively. The following discrete tax benefits lowered the effective tax rate from the estimated. A total of \$1.5 million deferred tax benefit was recorded in the first nine months of 2007 due to the increase in the Company's net deferred tax assets from the state of New York requirement to file combined returns effective in 2008 and from an increase in the estimated overall state income tax rate. The increase in overall state tax rate is primarily due to the Texas requirement to file a combined gross margins tax in 2007. Of the \$1.5 million deferred tax benefit, \$1.2 million was recorded in the third quarter of 2007. A \$0.6 million tax benefit was recorded in the first quarter of 2007 primarily due to the inclusion in the period of Work Opportunity Tax Credits attributable to 2006, but not recognizable in 2006 because the program had expired and was not extended until the first quarter of 2007. Another \$0.6 million tax benefit was recorded in the third quarter of 2007 mostly from the elimination of state tax liabilities for closed years. In the third quarter of 2006, a \$1.1 million benefit was recorded mostly from the elimination of state tax liabilities for closed years, partially offset by a \$0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns. Another \$0.3 million benefit was recorded in the first nine months of 2006 primarily due to the increase in deferred tax assets as of April 30, 2006 related to an increase in the estimated overall state income tax rate.

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

The following discussion should be read in conjunction with the consolidated financial statements of the Company included in this Quarterly Report on Form 10-Q and with the consolidated financial statements and notes thereto and Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended October 31, 2006. All information in the discussion and references to the years are based on the Company's fiscal year which ends on October 31 and the three- month and nine-month periods which end on July 31.

Overview

ABM Industries Incorporated ("ABM") and its subsidiaries (the "Company") provide janitorial, parking, security, engineering and lighting 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 57% of the Company's sales and other income (hereinafter called "Sales") and over 67% of its operating profit before Corporate expenses in the first nine months of 2007.

The Company's Sales are substantially based on the performance of labor-intensive services at contractually specified prices. The level of Sales directly depends on commercial real estate occupancy levels. Decreases in occupancy levels reduce demand and also create pricing pressures on building maintenance and other services provided by the Company.

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), or are time and materials based. In addition to services defined within the scope of the contract, the Company also generates Sales from extra services (or "tags"), such as additional cleaning requirements 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, labor costs, workers' compensation and other insurance costs, any applicable payroll taxes and fuel costs. However, for some renewals the Company is able to restructure the scope and terms of the contract to maintain or increase profit margin.

Table of Contents

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 primarily 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 growth in Sales in the first nine months of 2007 from the same period in 2006 is attributable to both internal growth and growth from acquisitions. 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 a lower cost advantage. The Company expects to focus its financial and management resources on those businesses in which it can grow to be a leading national service provider. It also plans to increase Sales by expanding its services into international markets in the future.

In the short-term, management is pursuing new business, increasing operating efficiencies, and integrating its most recent acquisitions. It is also implementing a number of other projects to enhance its competitiveness including consolidating certain back office operations in a Shared Services Center in Houston, Texas. The Company is also relocating its Janitorial headquarters to Houston, concentrating its other business units in southern California and, in 2008, relocating its executive headquarters to New York City. The Company is also upgrading and consolidating its accounting, payroll, and other information technology systems and expects full implementation by the end of 2009.

Liquidity and Capital Resources

(in thousands)	July 31, 2007	October 31, 2006	Change
Cash and cash equivalents	\$107,325	\$134,001	\$(26,676)
Working capital	\$356,543	\$312,456	\$ 44,087

(in thousands)	Nine Months Ended July 31,		Change
	2007	2006	
Net cash (used in) provided by operating activities	\$ (9,564)	\$ 32,556	\$(42,120)
Net cash used in investing activities	\$(24,261)	\$(19,070)	\$ (5,191)
Net cash provided by (used in) financing activities	\$ 7,149	\$(18,739)	\$ 25,888

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, repurchasing shares of ABM common stock, and paying cash dividends. As of July 31, 2007 and October 31, 2006, the Company's cash and cash equivalents totaled \$107.3 million and \$134.0 million, respectively. The cash balance at July 31, 2007 declined from October 31, 2006 primarily due to a \$34.9 million income tax payment made in the first quarter of 2007 relating to the \$80.0 million gain on the settlement of the World Trade Center insurance claims recorded in the fourth quarter of 2006. In addition, a \$7.1 million cash payment for the acquisition of the assets of HealthCare Parking Systems of America was made in the second quarter of 2007. These cash payments were partially offset by an additional \$13.5 million in proceeds from common stock issuances in the first nine months of 2007 compared to the same period of 2006 and \$7.5 million received in the first nine months of 2007 in connection with the termination of an airport parking garage lease in Philadelphia.

Working Capital. Working capital increased by \$44.0 million to \$356.5 million at July 31, 2007 from \$312.5 million at October 31, 2006, primarily due to income generated during the first nine months of 2007 and the increase in trade accounts receivable. Trade accounts receivable is the largest component of working capital and totaled \$400.4 million at July 31, 2007 compared to \$384.0 at October 31, 2006. These amounts were net of allowances for doubtful accounts and sales totaling \$7.4 million and \$8.0 million at July 31, 2007 and October 31, 2006, respectively. At July 31, 2007, accounts receivable that were over 90 days past due had increased by \$4.2 million to \$37.0 million (9.1% of the total outstanding) from \$32.8 million (8.4% of the total outstanding) at October 31, 2006. Some large customers, including government entities, were slower in making payments.

Cash Flows from Operating Activities. Net cash used in operating activities was \$9.6 million in the first nine months of 2007, compared to \$32.6 million net cash provided by operating activities in the first nine months of 2006. The difference in the use of cash between the first nine months of 2007 and 2006 is primarily due to the timing of state and federal income tax payments, including a \$34.9 million income tax payment made in the first quarter of 2007 relating to the \$80.0 million gain on the settlement of the World Trade Center insurance claims in the fourth quarter of 2006, and \$5.9 million of pre-payments to IBM associated with IBM transition and maintenance services, as discussed below. These uses of cash were partially offset by the \$7.5 million received in connection with the termination of the airport parking garage lease.

Cash Flows from Investing Activities. Net cash used in investing activities in the first nine months of 2007 was \$24.3 million, compared to \$19.1 million in the first nine months of 2006. The increase is primarily due to the \$5.1 million net increase in property, plant and equipment, which mainly reflects capitalized costs associated with the upgrade of the Company's existing accounting systems, and the implementation of a new payroll and human resources information system (discussed below).

Cash Flows from Financing Activities. Net cash provided by financing activities was \$7.1 million in the first nine months of 2007, compared to \$18.7 million used in the first nine months of 2006. During the first nine months of 2006 the Company repurchased \$13.9 million of ABM common stock. The Company did not repurchase ABM common stock in the first nine months of 2007. The inflow of cash is also attributable to a \$13.5 million increase in funds from common stock issuances primarily as a result of more stock options exercised in the first nine months of 2007 compared to the same period of 2006.

Line of Credit. ABM has a \$300 million syndicated line of credit scheduled to expire in May 2010. 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 0.375% to 1.125% or, for overnight borrowings, at the prime rate or, for overnight to one week borrowings, at the Interbank Offered Rate ("IBOR") plus a spread of 0.375% to 1.125%. The spreads for LIBOR and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a non-use fee payable quarterly, in arrears, of 0.100%, 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 July 31, 2007 and October 31, 2006, the total outstanding amounts under the facility were \$107.8 million and \$98.7 million, respectively, in the form of standby letters of credit.

The facility includes usual and customary covenants for a credit facility of this type, including covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, the facility also requires that the Company satisfy three financial covenants: (1) a fixed charge coverage ratio greater than or equal to 1.50 to 1.0 at fiscal quarter-end; (2) a leverage ratio of less than or equal to 3.25 to 1.0 at fiscal quarter-end; and (3) consolidated net worth greater than or equal to the sum of (i) \$341.9 million, (ii) an amount equal to 50% of the consolidated net income earned in each full fiscal quarter ending after May 25, 2005 (with no deduction for a net loss in any such fiscal quarter) and (iii) an amount equal to 100% of the aggregate increases in stockholders' equity of the Company after May 25, 2005 by reason of the issuance and sale of capital stock or other equity interests of ABM, including upon any conversion of debt securities of ABM into such capital stock or other equity interests, but excluding by reason of the issuance and sale of capital stock pursuant to the Company's employee stock purchase plan, employee stock option plans and similar programs. The Company is currently in compliance with all covenants.

[Table of Contents](#)**Commitments**

As of July 31, 2007, the Company's future contractual payments, commercial commitments and other long-term liabilities were as follows:

(in thousands)	Payments Due By Period				
	Total	1 year	2 - 3 years	4 - 5 years	After 5 years
Contractual Obligations					
Operating Leases	\$109,741	\$35,061	\$40,291	\$18,671	\$15,718
IBM Services Agreement	94,735	16,715	30,811	27,989	19,220
IBM Payroll System Support	2,122	1,117	987	18	—
IBM Systems Upgrade, Implementation and Support	23,172	9,902	6,517	4,443	2,310
	\$229,770	\$62,795	\$78,606	\$51,121	\$37,248

(in thousands)	Payments Due By Period				
	Total	1 year	2 - 3 years	4 - 5 years	After 5 years
Other Long-Term Liabilities					
Unfunded Employee Benefit Plans	\$31,074	\$2,156	\$4,132	\$3,767	\$21,019

(in thousands)	Amounts of Commitment Expiration Per Period				
	Total	1 year	2 - 3 years	4 - 5 years	After 5 years
Commercial Commitments					
Standby Letters of Credit	\$107,833	\$107,833	\$ —	\$ —	\$ —
Surety Bonds	65,762	62,710	3,041	11	—
	\$173,595	\$170,543	\$ 3,041	\$ 11	\$ —
Total Commitments	\$434,439	\$235,494	\$85,779	\$54,899	\$58,267

The amounts set forth under operating leases represent the Company's contractual obligations to make future payments under non-cancelable operating lease agreements for various facilities, vehicles and other equipment.

On September 29, 2006, the Company entered into a Master Professional Services Agreement (the "Services Agreement") with International Business Machines Corporation ("IBM") that became effective October 1, 2006, pursuant to which IBM will provide to the Company substantially all of the information technology infrastructure and services provided in 2006 by in-house equipment and personnel. The base fee for these services is approximately \$117.0 million payable over the initial term of 7 years and 3 months. As of July 31, 2007, aggregate payments of \$22.3 million had been made to IBM since the Services Agreement became effective. Services covered by the Services Agreement may be expanded at rates set forth in the Services Agreement, or later agreed to by the parties, which would increase amounts payable to IBM.

As a result of a January 23, 2007 amendment to expand its services, IBM has agreed to provide maintenance and support services for the Company's legacy payroll system. The base fee for these services is approximately \$2.3 million payable over a 3 year and 7 month term that commenced April 1, 2007. As of July 31, 2007, aggregate payments of \$0.2 million had been made to IBM for these services.

Table of Contents

The Company also completed an evaluation of its existing accounting, payroll and human resources information systems in the first quarter of 2007. On April 4, 2007, the Company further expanded services covered by the Services Agreement. IBM is now assisting in the upgrade of the Company's existing accounting systems and the implementation of a new payroll system and human resources information system. IBM will also provide post-implementation support services beginning July 1, 2008 through December 31, 2013. The base fee for this upgrade, implementation, and post implementation support services is \$26.2 million payable over 6 years and 10 months. As of July 31, 2007, aggregate payments of \$3.0 million had been made to IBM. The Company began the design phase of the project in the second quarter of 2007. The implementation of the new systems is scheduled to commence in July 2008 with completion by the end of 2009.

Total anticipated cost for the upgrade of the existing accounting systems and implementation of the new payroll system and human resources system is approximately \$35.0 million, which includes IBM contracted system upgrade and implementation costs of \$13.3 million, as well as licensing fees and other external costs.

The Company has two unfunded defined benefit plans, an unfunded post-retirement benefit plan and two unfunded deferred compensation plans that are described in Note 12 of the Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q. At July 31, 2007, the liability reflected on the Company's consolidated balance sheet for these five plans totaled \$21.0 million, with the amount expected to be paid over the next 20 years estimated at \$31.1 million. With the exception of the deferred compensation plans, the liabilities for which are reflected on the Company's consolidated balance sheet at the amount of compensation deferred plus accrued interest, the plan liabilities at that date assume future annual compensation increases of 3.50% (for those plans affected by compensation changes) and have been discounted at 5.75%, a rate based on Moody's Investor Services AA-rated long-term corporate bonds (*i.e.*, 20 years). Because the deferred compensation plans' liabilities reflect the actual obligations of the Company and the post-retirement benefit plan and two defined benefit plans have been frozen, variations in assumptions would be unlikely to have a material effect on the Company's financial condition and operating performance. The Company expects to fund payments required under the plans from operating cash as payments are due to participants.

Not included in the unfunded employee benefit plans in the table above are union-sponsored 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 made for these plans were \$27.9 million and \$25.2 million in the nine months ended July 31, 2007 and 2006, respectively.

The Company uses surety bonds, principally performance and payment bonds, to guarantee performance under various customer contracts in the normal course of business. These bonds typically remain in force for one to five years and may include optional renewal periods. At July 31, 2007, outstanding surety bonds totaled approximately \$65.8 million. The Company does not believe these bonds will be required to be drawn upon.

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). The estimated liability for claims incurred at July 31, 2007 and October 31, 2006 was \$204.0 million and \$195.2 million, respectively. The Company periodically evaluates its estimated claim costs and liabilities and accrues self-insurance reserves to its best estimate. The self-insurance claims paid in the first nine months of 2007 and 2006 were \$43.3 million and \$43.8 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 believes that the current cash and cash equivalents, cash generated from operations and the line of credit will be sufficient to meet the Company's cash requirements for the long-term including cash required for acquisitions.

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. In addition, from time to time the Company is involved in environmental issues at certain of its locations or in connection with its operations. While it is difficult to predict the ultimate outcome of any 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.

Off-Balance Sheet Arrangements

The Company is party to a variety of 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 may not be 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.

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.

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 nine months ended July 31, 2007 and 2006 are discussed in Note 8 of Notes to Consolidated Financial Statements.

Results of Operations*Three Months Ended July 31, 2007 vs. Three Months Ended July 31, 2006*

(\$ in thousands)	Three Months Ended July 31, 2007	% of Sales	Three Months Ended July 31, 2006	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	\$717,549	100.0%	\$689,275	100.0%	4.1%
Expenses					
Operating expenses and cost of goods sold	647,137	90.2%	612,434	88.9%	5.7%
Selling, general and administrative	52,214	7.3%	48,428	7.0%	7.8%
Amortization of intangible assets	1,435	0.2%	1,357	0.2%	5.7%
Interest	105	—	122	—	(13.9)%
Total expenses	700,891	97.7%	662,341	96.1%	5.8%
Income before income taxes	16,658	2.3%	26,934	3.9%	(38.2)%
Income taxes	4,659	0.6%	9,682	1.4%	(51.9)%
Net Income	\$ 11,999	1.7%	\$ 17,252	2.5%	(30.4)%

Net Income. Net income in the third quarter of 2007 decreased by \$5.3 million, or 30.4%, to \$12.0 million (\$0.23 per diluted share) from \$17.3 million (\$0.35 per diluted share) in the third quarter of 2006. This decrease was primarily attributable to a \$12.8 million (\$7.7 million after-tax) difference between the increase in self-insurance reserves (\$4.9 million) in the third quarter of 2007 and a reduction in self-insurance reserves (\$7.9 million) in the third quarter of 2006 as a result of the Company's evaluation of the reserves (further described below), an increase in Corporate costs associated with the start up of the Shared Service Center and share-based compensation. These factors were partially offset by a \$1.2 million state deferred tax benefit from a tax law change and an increase in the estimated overall income tax rate. In addition, the Company recorded a \$0.9 million (\$0.5 million after-tax) increase in interest income due to higher cash balances and interest rates. Excluding the effects of the reduction of insurance reserves in the third quarter of 2006, the operating segments showed profit improvements despite across the board increases in selling and administrative payroll costs in the third quarter of 2007.

The Company performs three evaluations of its self-insurance reserves during the year. The May 31, 2007 evaluation indicated adverse developments in the workers' compensation claims outside of California for years prior to 2007 that exceeded the favorable developments in the California workers' compensation and general liability claims by \$4.9 million. This expense was recorded in Corporate. The comparable evaluation on May 31, 2006 indicated favorable developments in the Company's California workers' compensation and general liability claims that exceeded the adverse developments in the Company's workers' compensation claims outside California by \$7.9 million. Of the \$7.9 million benefit in the third quarter of 2006, \$4.7 million was recorded by Corporate as it was attributable to 2005 and prior years while \$3.2 million was allocated to the operating segments as it was attributable to the first six months of 2006.

Revenues. Sales in the third quarter of 2007 increased by \$28.2 million, or 4.1%, to \$717.5 million from \$689.3 million in the third quarter of 2006, primarily due to new business and expansion of services, most significantly in the Janitorial segment, which generated \$13.1 million more revenue. Parking also recorded \$7.5 million of additional revenues from a business acquired in the second quarter of 2007.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit (Sales minus operating expenses and cost of goods sold) was 9.8% and 11.1% in the third quarter of 2007 and 2006, respectively. The decrease in margins was primarily due to the \$12.8 million increase in insurance expense stemming from the difference in the insurance reserve adjustments between the third quarter of 2007 and the third quarter of 2006 based on the Company's evaluation of the reserves. In addition, the percentage increase in payroll expense was greater than the percentage increase in revenue, most significantly in the Janitorial segment.

[Table of Contents](#)

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the third quarter of 2007 increased \$3.8 million, or 7.8%, compared to the third quarter of 2006 primarily due to a \$2.0 million increase in selling and administrative payroll costs as a result of new hires, annual salary increases, and increased bonuses, \$0.7 million of costs associated with the start up of the Shared Services Center, a \$0.7 million increase in stock compensation expense, and \$0.5 million of expense associated with the upgrade of the Company's existing accounting systems and the implementation of a new payroll and human resources information system.

Income Taxes. The estimated annual effective tax rate used in both the third quarter of 2007 and 2006 was 37.5%. The effective tax rates were, however, 28.0% in the third quarter of 2007 and 35.9% in the third quarter of 2006. The following discrete tax benefits lowered the effective tax rate from the estimated. A \$1.2 million deferred tax benefit was recorded in the third quarter of 2007 due to the increase in the Company's net deferred tax assets from the state of New York requirement to file combined returns effective in 2008 and from an increase in the estimated overall state income tax rate. The increase in state tax rate is primarily due to the Texas requirement to file a combined gross margins tax in 2007. The rate increase resulted in \$0.3 million of additional income tax expense for the third quarter of 2007, representing the impact of the rate increase on the first six months of 2007. Another \$0.6 million tax benefit was recorded in the third quarter of 2007 mostly from the elimination of state tax liabilities for closed years. In the third quarter of 2006, a \$1.1 million benefit was recorded mostly from the elimination of state tax liabilities for closed years, partially offset by a \$0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns.

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. Most Corporate expenses are not allocated. Such expenses include the Company's share-based compensation costs and adjustments to the Company's self-insurance reserves relating to prior years such as those made in the third quarters of 2006 and 2007. Until damages and costs are awarded or a matter is settled, the Company also accrues probable and estimable losses associated with pending litigation in Corporate.

[Table of Contents](#)

(\$ in thousands)	Three Months Ended July 31,		Better (Worse)
	2007	2006	
Sales and other income			
Janitorial	\$408,923	\$395,872	3.3%
Parking	122,973	115,719	6.3%
Security	81,829	77,404	5.7%
Engineering	75,827	71,665	5.8%
Lighting	26,607	28,097	(5.3)%
Corporate	1,390	518	168.3%
	\$717,549	\$689,275	4.1%
Operating profit			
Janitorial	\$ 22,076	\$ 23,131	(4.6)%
Parking	4,838	4,552	6.3%
Security	1,937	1,980	(2.2)%
Engineering	4,174	4,450	(6.2)%
Lighting	334	116	187.9%
Corporate	(16,596)	(7,173)	(131.4)%
Operating profit	16,763	27,056	(38.0)%
Interest expense	(105)	(122)	13.9%
Income before income taxes	\$ 16,658	\$ 26,934	(38.2)%

The results of operations from the Company's segments for the quarter ended July 31, 2007, compared to the same quarter in 2006, are more fully described below.

Janitorial. Janitorial Sales increased by \$13.1 million, or 3.3%, during the third quarter of 2007 compared to the same quarter of 2006. All Janitorial regions, except the Northern California and Mid-Atlantic regions, experienced Sales growth. This was due to new business, expansion of services to customers and price adjustments to pass through a portion of union cost increases. The decrease in Sales in the Northern California and Mid Atlantic regions was due to reductions in scope of service at some existing customers and lost accounts.

Operating profit decreased \$1.1 million, or 4.6% during the third quarter of 2007 compared to the same quarter of 2006 primarily due to the third quarter of 2006 benefiting from a \$2.1 million reduction of insurance reserves pertaining to the first six months of 2006. Additionally, legal expenses were higher by \$1.0 million in the third quarter of 2007, which included \$0.4 million to settle a lawsuit, and payroll expenses were also higher. These factors were partially offset by higher Sales.

Parking. Parking Sales increased by \$7.3 million, or 6.3%, during the third quarter of 2007 compared to the same quarter of 2006, mainly as a result of \$7.5 million of additional revenues from HealthCare Parking Systems of America, Inc. ("HPSA"), which was acquired in the second quarter of 2007. The additional revenue contributed by HPSA was partially offset by revenues lost as a result of the termination of an airport parking garage lease in Philadelphia in the second quarter 2007. Operating profit increased \$0.3 million, or 6.3%, during the third quarter of 2007 compared to the same quarter of 2006 as a result of \$0.3 million of additional operating profits from HPSA and \$0.4 million received from settlement of a class action lawsuit against the City of Miami. These increases were partially offset by higher general and administrative expenses. In addition, the third quarter of 2006 operating profit included a \$0.3 million benefit from the reduction of self-insurance reserves.

Security. Security Sales increased \$4.4 million, or 5.7%, during the third quarter of 2007 compared to the same quarter of 2006 primarily due to business from new customers and increased level of service to existing customers. These increases were partially offset by the loss of sales from the elimination of unprofitable customer contracts. Operating profit was nearly flat between quarters. In the third quarter of 2006, Security recorded a \$1.0 million benefit related to the reduction of a reserve

[Table of Contents](#)

originally provided for the amount the company overpaid Security Services of America, (“SSA LLC”). Security also recorded a \$0.4 million benefit in the third quarter of 2006 from the reduction of the self-insurance reserves. These factors were partially offset by profit from higher Sales and elimination of unprofitable customer contracts.

Engineering. Engineering Sales increased \$4.2 million, or 5.8%, in the third quarter of 2007 compared to the same quarter in 2006, which was mainly due to new business and the expansion of services to existing customers, most significantly in the Eastern, Northern California, and Mid Atlantic regions. These increases were slightly offset by the loss of business in the Southern California and Midwest regions. Operating profits decreased by \$0.3 million, or 6.2%, in the third quarter of 2007 compared to the same quarter in 2006 primarily due to the reduced profit margins on the new business compared to business replaced. The third quarter of 2006 also benefited from a \$0.3 million reduction of self-insurance reserves related to the first six months of 2006. In addition, Engineering experienced higher payroll expense associated with increased management staff necessary to support the future growth of the business. These factors were partially offset by profit from higher Sales.

Lighting. Lighting Sales decreased \$1.5 million, or 5.3%, during the third quarter of 2007 compared to the same quarter of 2006 primarily due to a decrease in special project business in the Northeast and Southeast regions. Operating profit increased \$0.2 million, or 187.9%, primarily due to higher gross margins on fixed fee contracts and special project business. In the third quarter of 2006, Lighting operating profit included a \$0.1 million benefit from the reduction of self-insurance reserves.

Corporate. Corporate expense in the third quarter of 2007 increased by \$9.4 million, or 131.4%, compared to the same quarter of 2006, which was primarily attributable to the \$9.6 million increase in insurance expense stemming from the difference in insurance reserve adjustments between the third quarter of 2007 and the third quarter of 2006 based on the Company’s evaluation of the reserves. In addition, Corporate recorded \$0.7 million of costs associated with the start up of the Shared Services Center and a \$0.7 million increase in stock compensation expense. These factors were partially offset by a \$0.9 million increase in interest income due to higher cash balances and interest rates, as well as lower legal expenses.

Nine Months Ended July 31, 2007 vs. Nine Months Ended July 31, 2006

(\$ in thousands)	Nine Months Ended July 31, 2007	% of Sales	Nine Months Ended July 31, 2006	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	\$2,118,949	100.0%	\$2,015,984	100.0%	5.1%
Expenses					
Operating expenses and cost of goods sold	1,896,555	89.5%	1,810,932	89.8%	4.7%
Selling, general and administrative	162,428	7.7%	150,851	7.5%	7.7%
Amortization of intangible assets	4,106	0.2%	4,428	0.2%	(7.3)%
Interest	347	—	366	—	(5.2)%
Total expenses	2,063,436	97.4%	1,966,577	97.5%	4.9%
Income before income taxes	55,513	2.6%	49,407	2.5%	12.4%
Income taxes	18,088	0.9%	17,773	0.9%	1.8%
Net Income	\$ 37,425	1.8%	\$ 31,634	1.6%	18.3%

Net Income. Net income in the first nine months of 2007 increased by \$5.8 million, or 18.3%, to \$37.4 million (\$0.74 per diluted share) from \$31.6 million (\$0.64 per diluted share) in the same period of 2006 primarily due to the \$5.0 million (\$3.0 million after-tax) gain recorded in Parking in connection with the termination of an airport parking garage lease. All operating segments except Engineering showed

Table of Contents

profit improvements despite across the board increases in selling and administrative payroll costs. The increase is also attributable to an increase of \$3.0 million (\$1.8 million after-tax) in interest income due to higher cash balances and interest rates, the absence of the \$2.4 million (\$1.5 million after-tax) of professional fees related to the Audit Committee's independent investigation of the 2005 accounting at Security Services of America ("SSA"), a Company subsidiary, included in the first nine months of 2006, and a \$2.5 million (\$1.5 million after-tax) reduction in professional fees related to the Sarbanes-Oxley internal controls certification requirement in the first nine months of 2007. These improvements were partially offset by a \$5.4 million (\$3.2 million after-tax) difference between the net increase in the self-insurance reserves in the first nine months of 2007 (\$0.7 million) and the net decrease in self-insurance reserves (\$4.7 million) in the first nine months of 2006 as a result of the Company's evaluation of the reserves (further described below), \$4.0 million (\$2.4 million after-tax) of share-based compensation expense due to the vesting of certain options when target prices on ABM common stock were achieved, and a \$1.7 million (\$1.0 million after-tax) litigation settlement in Security.

The Company performs three evaluations of its self-insurance reserves during the year. As previously discussed, the May 31, 2007 evaluation showed a net adverse development of \$4.9 million, which was recorded in Corporate in the third quarter of 2007. This expense substantially offset the \$4.2 million benefit from the net favorable development recorded in Corporate in the first quarter of 2007 as a result of its January 31, 2007 self-insurance reserve evaluation, which showed favorable developments in the Company's reserves for 2006 and prior years' workers' compensation, and general liability claims exceeding the adverse developments in workers' compensation claims outside of California. Also as previously discussed, the May 31, 2006 evaluation indicated a net favorable development of \$4.7 million for 2005 and prior years, which was recorded in Corporate in the third quarter of 2006.

Revenues. Sales in the first nine months of 2007 increased \$102.9 million, or 5.1%, to \$2,118.9 million from \$2,016.0 million in the same period of 2006, primarily due to new business and expansion of services or increases in the scope of work for existing customers. Parking's reimbursements for out-of-pocket expenses from managed parking lot clients were \$12.7 million higher in the first nine months of 2007 than in the same period in 2006. Parking Sales also included the \$5.0 million gain in connection with the lease termination.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit was 10.5% and 10.2% in the first nine months of 2007 and 2006, respectively. The increase in margin was primarily due to the \$5.0 million gain in Parking in connection with the airport parking lease termination, lower insurance rates, and the elimination of unprofitable customer accounts in Security, partially offset by the \$5.4 million difference between the increase in the self-insurance reserves in the first nine months of 2007 and reduction in self-insurance reserves in 2006, and reimbursements for out-of-pocket expenses from Parking's managed parking lot clients that were \$12.7 million higher in 2007 but which do not improve gross margin.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the first nine months of 2007 increased \$11.6 million, or 7.7%, compared to the same period of 2006, primarily due to a \$7.4 million increase in selling and administrative payroll costs as a result of new hires, annual salary increases, and increased bonuses, the \$4.0 million of share-based compensation expense recognized when target prices for ABM common stock were achieved, the \$1.7 million litigation settlement in Security, \$0.9 million of expense associated with the upgrade of the Company's existing accounting systems, and the implementation of a new payroll and human resources information system, \$0.7 million of costs associated with the start up of the Shared Services Center, and an increase of \$0.5 million in stock compensation expense not associated with accelerated stock options. The impact of these increases in selling, general and administrative expenses was reduced by the absence of \$2.4 million of professional fees associated with the Audit Committee's independent investigation of 2005 accounting at SSA included in the first nine months of 2006, and a \$2.5 million reduction in professional fees related to the Sarbanes-Oxley internal controls certification requirement in the first nine months of 2007 from the comparable period of 2006.

[Table of Contents](#)

Income Taxes. The estimated annual effective tax rate used in both the first nine months of 2007 and 2006 was 37.5%. The effective tax rates were, however, 32.6% and 36.0% in the first nine months of 2007 and 2006, respectively. The following discrete tax benefits lowered the effective tax rate from the estimated. A total of \$1.5 million deferred tax benefit was recorded in the first nine months of 2007 due to the increase in the Company's net deferred tax assets from the state of New York requirement to file combined returns effective in 2008 and from an increase in the estimated overall state income tax rate. The increase in state tax rate is primarily due to the Texas requirement to file a combined gross margins tax in 2007. A \$0.6 million tax benefit was recorded in the first quarter of 2007 primarily due to the inclusion in the period of Work Opportunity Tax Credits attributable to 2006, but not recognizable in 2006 because the program had expired and was not extended until the first quarter of 2007. Another \$0.6 million tax benefit was recorded in the third quarter of 2007 mostly from the elimination of state tax liabilities for closed years. In the third quarter of 2006, a \$1.1 million benefit was recorded mostly from the elimination of state tax liabilities for closed years, partially offset by a \$0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns. Another \$0.3 million benefit was recorded in the first nine months of 2006 primarily due to the increase in deferred tax assets as of April 30, 2006 related to an increase in the estimated overall state income tax rate.

Segment Information

(\$ in thousands)	Nine Months Ended July 31,		Better (Worse)
	2007	2006	
Sales and other income			
Janitorial	\$1,208,667	\$1,164,830	3.8%
Parking	356,300	327,503	8.8%
Security	240,196	230,978	4.0%
Engineering	222,649	206,705	7.7%
Lighting	86,587	84,241	2.8%
Corporate	4,550	1,727	163.5%
	\$2,118,949	\$2,015,984	5.1%
Operating profit			
Janitorial	\$ 62,676	\$ 58,786	6.6%
Parking	15,845	9,202	72.2%
Security	2,603	2,442	6.6%
Engineering	10,144	11,400	(11.0)%
Lighting	1,599	700	128.4%
Corporate	(37,007)	(32,757)	(13.0)%
Operating profit	55,860	49,773	12.2%
Interest expense	(347)	(366)	5.2%
Income before income taxes	\$ 55,513	\$ 49,407	12.4%

The results of operations from the Company's segments for the nine months ended July 31, 2007, compared to the same period in 2006, are more fully described below.

Janitorial. Janitorial Sales increased by \$43.8 million, or 3.8%, during the first nine months of 2007 compared to the same period of 2006. All Janitorial regions, except Northern California, experienced Sales growth. This was due to new business, expansion of services to customers and price adjustments to pass through a portion of union cost increases. The decrease in Sales in Northern California was due to reductions in scope of service at some existing customers and lost accounts.

Operating profit increased \$3.9 million, or 6.6%, during the first nine months of 2007 compared to the same period of 2006. The increase was primarily attributable to a \$3.7 million decrease in insurance expense reflecting a reduction in insurance rates charged to the segment, a \$1.0 million decrease in state unemployment insurance, and operating profit from higher Sales. These improvements were partially offset by a \$1.6 million increase in legal expenses, and increased selling and administrative payroll costs and higher union benefit costs.

[Table of Contents](#)

Parking. Parking Sales increased by \$28.8 million, or 8.8%, during the first nine months of 2007 compared to the same period of 2006, mainly as a result of a \$12.7 million increase in reimbursements for out-of-pocket expenses from managed parking lot clients due to new contracts, \$9.9 million of revenues from HPSA, which was acquired on April 2, 2007, and the \$5.0 million gain in connection with the termination of the airport parking garage lease. Lease, allowance, and management fee revenues also increased in the first nine months of 2007 compared to the first nine months of 2006. These increases were partially offset by revenues lost as a result of the termination of the airport parking garage lease. Operating profit increased \$6.6 million, or 72.2%, during the first nine months of 2007 compared to the same period of 2006 primarily as a result of the \$5.0 million lease termination gain and \$1.6 million of increased profits arising from higher lease revenues and management fee income.

Security. Security Sales increased \$9.2 million, or 4.0%, during the first nine months of 2007 compared to the same period of 2006 primarily due to business from new customers and increased levels of service to existing customers. The elimination of unprofitable customer accounts partially offset the impact of the new business. Operating profits increased \$0.2 million, or 6.6%, in the first nine months of 2007 compared to the same period of 2006 primarily due to additional profit from increased Sales and the elimination of unprofitable customer contracts. These increases were largely offset by a \$1.7 million litigation settlement in the first nine months of 2007.

Engineering. Engineering Sales increased \$15.9 million, or 7.7%, in the first nine months of 2007 compared to the same period in 2006, which was mainly due to new business and the expansion of services to existing customers in the Eastern, Northern California, and Mid-Atlantic regions. These increases were slightly offset by the loss of business in the Southern California and Midwest regions. Operating profits decreased by \$1.3 million, or 11.0%, in the first nine months of 2007 compared to the same period in 2006 primarily due to reduced profit margins on the new business compared to business replaced. In addition, Engineering experienced higher payroll expense associated with increased management staff necessary to support the future growth of the business.

Lighting. Lighting Sales increased \$2.3 million, or 2.8%, during the first nine months of 2007 compared to the same period of 2006 primarily due to an increase in special project business in the South Central and Northern California regions. Operating profit increased \$0.9 million, or 128.4%, in the first nine months of 2007 compared to the same period of 2006, primarily due to increased Sales.

Corporate. Corporate expense in the first nine months of 2007 increased by \$4.2 million, or 13.0%, compared to the same period in 2006. Of the increase, \$5.4 million was attributable to the difference between the increase in self-insurance reserves in the first nine months of 2007 and the reduction of the self-insurance reserves in the first nine months of 2006. In addition, the Company recorded \$4.0 million of share-based compensation expense from the acceleration of price vested options, a \$0.9 million increase in expense associated with the upgrade of the Company's existing accounting systems, and the implementation of a new payroll and human resources information system, \$0.7 million in expenses associated with the start up of the Shared Services Center, and a \$0.5 million increase in share-based compensation expense not associated with accelerated stock options. Offsetting these increases in Corporate expenses were a \$2.8 million increase in interest income due to higher cash balances and interest rates, a \$2.5 million reduction in professional fees related to the Sarbanes-Oxley internal controls certification requirement in the first nine months of 2007, and the absence of \$2.4 million of professional fees associated with the Audit Committee's independent investigation of 2005 accounting at SSA included in the first nine months of 2006.

Adoption of Accounting Standards

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Emerging Issues Task Force (“EITF”) Issue No. 06-3 (“EITF 06-3”), “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation).” EITF 06-3 requires companies to disclose the presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer (*e.g.*, sales and use tax) as either gross or net in the accounting policies included in the notes to the financial statements. EITF 06-3 became effective beginning in the second quarter of 2007. The Company continues to report revenues net of sales and use tax imposed on the related transaction.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 (“SAB No. 108”), “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” The guidance in SAB No. 108 requires companies to base their materiality evaluations on all relevant quantitative and qualitative factors. This involves quantifying the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The implementation of SAB No. 108, which became effective beginning in the first quarter of 2007, did not have any impact on the Company’s evaluation as the Company was substantially following guidance provided in SAB No. 108.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Financial Interpretation No. 48, “Accounting for Uncertain Tax Positions” (“FIN 48”). FIN 48 provides guidance on the accounting for and disclosure of tax positions accounted for in accordance with SFAS No. 109. FIN 48 requires that the effects of a tax position be initially recognized when it is “more likely than not” (which is defined as a greater than 50 percent chance) that the position will be sustained upon examination by the taxing authorities. In addition, FIN 48 requires additional disclosures regarding tax positions. FIN 48 is effective for the Company beginning in fiscal 2008. The Company is presently assessing the impact of FIN 48 on the Company’s consolidated financial position, results of operations and cash flows.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 was issued to provide guidance and consistency for comparability in fair value measurements and for expanded disclosures about fair value measurements. The Company does not anticipate that SFAS No. 157 will have an impact on the Company’s consolidated financial position, results of operations or disclosures in the Company’s financial statements. SFAS No. 157 will be effective beginning in 2009.

In September 2006, the FASB issued SFAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132 (R)” (“SFAS No. 158”). SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position. The Company anticipates that the adoption of SFAS No. 158 will result in less than \$1.0 million pretax of net unrecognized loss into other comprehensive income as of October 31, 2007 subject to the result of the evaluation at September 30, 2007. The recognition provisions of SFAS No. 158 will be effective as of October 31, 2007, while the measurement data provisions will be effective as of October 31, 2009.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 was issued to permit entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates and includes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company does not anticipate that SFAS No. 159 will have an impact on the Company’s consolidated financial position, results of operations or disclosures in the Company’s financial statements. SFAS No. 159 will be effective beginning in 2009.

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, sales allowance, 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 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 materially from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies govern 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 claims-incurred basis. The Company periodically evaluates its estimated claim costs and liabilities and accrues self-insurance reserves to its best estimate. 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 developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). If the trends suggest that the frequency or severity of claims incurred has increased, the Company might be required to record additional expenses for self-insurance liabilities. Management also uses the information from its evaluations to develop insurance rates for each operation, expressed per \$100 of exposure (labor and revenue).

Allowance for Doubtful Accounts. Trade accounts receivable arise from services provided to the Company's customers and are generally due and payable on terms varying from receipt of the invoice to net thirty days. The Company records an allowance for doubtful accounts to provide for losses on accounts receivable due to customers' inability to pay. The allowance is typically estimated based on an analysis of the historical rate of credit losses or write-offs (due to a customer bankruptcy or failure of a former customer to pay) and specific customer concerns. The accuracy of the estimate is dependent on the future rate of credit losses being consistent with the historical rate. Changes in the financial condition of customers or adverse developments in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance. If the rate of future credit losses is greater than the historical rate, then the allowance for doubtful accounts may not be sufficient to provide for actual credit losses. Alternatively, if the rate of future credit losses is less than the historical rate, then the allowance for doubtful accounts will be in excess of actual credit losses. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

Sales Allowance. Sales allowance is an estimate for losses on customer receivables resulting from customer credits (*e.g.*, vacancy credits for fixed-price contracts, customer discounts, job cancellations and breakage cost). The sales allowance estimate is based on an analysis of the historical rate of sales adjustments (credit memos, net of re-bills). The accuracy of the estimate is dependent on the rate of future sales adjustments being consistent with the historical rate. If the rate of future sales adjustments is greater than the historical rate, then the sales allowance may not be sufficient to provide for actual sales adjustments. Alternatively, if the rate of future sales adjustments is less than the historical rate, then the sales allowance will be in excess of actual sales adjustments.

Deferred Income Tax Asset and 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. These deferred taxes are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If the enacted rates in future years differ from the rates expected to apply, an adjustment of the net deferred tax assets will be required. Additionally, if management determines it is more likely than not that a portion of the net deferred tax asset will not be realized, a valuation allowance is recorded. At July 31, 2007, the net deferred tax asset was \$86.4 million, net of a \$1.7 million valuation allowance related to state net operating loss carryforwards. 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 performs valuations of intangible assets acquired in business acquisitions. Acquired 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. At least annually, in the fourth quarter, the Company evaluates the remaining useful lives of its intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an asset's remaining useful life changes, the remaining carrying amount of the intangible asset would be amortized over the revised remaining useful life. In addition, the remaining unamortized book value of intangibles is reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS No. 144"). 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" ("SFAS No. 142"), goodwill is not amortized. The Company performs goodwill impairment tests on 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. As of July 31, 2007, no impairment of the Company's goodwill carrying value has been indicated.

Contingencies and Litigation. ABM and certain of its subsidiaries have been named defendants in certain proceedings arising in the ordinary course of business, including certain environmental matters and wage and hour claims. Litigation outcomes are often difficult to predict and often are resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. Loss contingencies are recorded as liabilities in the consolidated financial statements when it is both: (1) probable or known that a liability has been incurred and (2) the amount of the loss is reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. So long as the Company believes that a loss in litigation is not probable, then no liability will be recorded unless the parties agree upon a settlement, which may occur because the Company wishes to avoid the costs of litigation.

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 July 31, 2007, the Company had no outstanding long-term debt. Although the Company's assets included \$107.3 million in cash and cash equivalents at July 31, 2007, market rate risk associated with changing interest rates in the United States was not material.

Item 4. Controls and Procedures

a. 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 and include controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the Company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, 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.

b. Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended July 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and legal proceedings of a nature considered normal to its business, as well as from time to time in additional matters. The Company records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available.

The Company is a defendant in the following purported class action suits related to alleged violations of federal or California wage-and-hour laws: (1) The consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services ("ACSS") filed July 12, 2005, in the Superior Court of California, Los Angeles County ("L.A. Superior Ct."); (2) Augustus and Hernandez v. ACSS filed on February 23, 2006, in L.A. Superior Ct.; (3) the recently consolidated cases of Bucio/Morales and Martinez/Lopez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco; (4) the consolidated cases of Batiz/Heine v. ACSS filed on June 7, 2006, respectively, in the U.S. District Court of California, Central District; (5) Joaquin Diaz v. Ampco System Parking filed on December 5, 2006, in L.A. Superior Ct; (6) Castellanos v. ABM Industries filed on April 5, 2007, in the U.S. District Court of California, Central District; and (7) Villacres v. ABM Security filed on August 15, 2007, in the U.S. District Court of California, Central District. The named plaintiffs in these lawsuits are current or former employees of ABM subsidiaries who allege, among other things, that they were required to work "off the clock," were not paid for all overtime and were not provided work breaks or

Table of Contents

other benefits. The plaintiffs generally seek unspecified monetary damages, injunctive relief, or both. The Company believes it has meritorious defenses to these claims and intends to continue to vigorously defend itself on claims not settled. On April 25, 2007, a settlement was reached in *Augustus and Hernandez v. ACSS*, which was approved by the court on August 23, 2007. The Company has established a liability of \$1.7 million, which is its estimated liability for this settlement.

As described in more detail in Note 6 of Notes to Consolidated Financial Statements in this quarterly report on Form 10-Q, the Company self-insures certain insurable risks and, based on its periodic evaluations of estimated claim costs and liabilities, accrues self-insurance reserves to the Company's best estimate. One such evaluation, completed in November 2004, indicated adverse developments in the insurance reserves that were primarily related to workers' compensation claims in the state of California during the four-year period ended October 31, 2003 and resulted in the Company recording a charge of \$17.2 million in the fourth quarter of 2004. The Company believes a substantial portion of the \$17.2 million, as well as other costs incurred by the Company in its insurance claims was related to poor claims management by a third party administrator that no longer performs these services for the Company. The Company believes that poor claims administration in certain other states, particularly New York, led to higher costs for the Company. The Company has filed a claim against its former third party administrator for its damages related to claims mismanagement. The Company is actively pursuing this claim, which is subject to arbitration in accordance with the rules of the American Arbitration Association. The three-person arbitration panel has been designated and discovery is underway, including examination of a sample of claims by insurance experts.

In August 2005, ABM filed an action for declaratory relief, breach of contract and breach of the implied covenant of good faith and fair dealing in U.S. District Court in The Northern District of California against its insurance carriers, Zurich American Insurance Company ("Zurich American") and National Union Fire Insurance Company ("National Union") relating to the carriers' failure to provide coverage for ABM and one of its Parking subsidiaries. In September 2006, the Company settled its claims against Zurich American for \$400,000. Zurich American had provided \$850,000 in coverage. In September 2006, the Company lost a motion for summary adjudication filed by National Union on the issue of the duty to defend. The Company has appealed that ruling and filed its reply brief in March 2007. ABM's claim includes "bad faith" allegations for National Union's breach of its duty to defend the Company in litigation with IAH-JFK Airport Parking Co., LLC. In early 2006, ABM paid \$6.3 million in settlement costs in the IAH-JFK litigation and seeks to recover \$5.3 million of these settlement costs and legal fees from National Union.

While the Company accrues amounts it believes are adequate to address any liabilities related to litigation that the Company believes will result in a probable loss, the ultimate resolution of such matters is always uncertain. It is possible that litigation brought against the Company in the future could have a material adverse impact on its financial condition and results of operations. At July 31, 2007, the Company's contingent loss reserves for legal proceedings aggregated \$0.4 million.

Item 1A. Risk Factors

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 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.

Table of Contents

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.

The Company's technology environment may be inadequate to support growth. Although the Company employs a centralized accounting system, the Company relies on a number of legacy information technology systems, particularly its payroll system, as well as manual processes, to conduct its operations. These systems and processes may be unable to provide adequate support for the business and create excessive reliance upon manual rather than system controls. Use of the legacy payroll systems could result, for instance, in delays in meeting payroll obligations, in difficulty calculating and tracking appropriate governmental withholding and other payroll regulatory obligations, and in higher internal and external expenses to work around these systems. Additionally, the current technology environment may be unable to support the integration of acquired businesses and anticipated internal growth. Effective October 2006, the Company entered into an outsourcing agreement with IBM to provide information technology infrastructure and services. The Company is implementing a new payroll and human resources information system, and upgrading its accounting system. The upgrade of the accounting system will include the consolidation of multiple databases, the potential replacement of custom systems and business process redesign to facilitate the implementation of shared-service functions across the Company. In addition to the risk of potential failure in each project, supporting multiple concurrent projects may result in resource constraints and the inability to complete projects on schedule. The Company may also experience problems in transitioning to the new systems and/or additional expenditures may be required after the projects are completed. IBM supports the current technology environment for ABM and assists the Company in selecting new technology and upgrading current technology. While the Company believes that IBM's experience and expertise will lead to improvements in its technology environment, the risks associated with outsourcing include the dependence upon a third party for essential aspects of the Company's business and risks to the security and integrity of the Company's data in the hands of third parties. The Company may also have potentially less control over costs associated with necessary systems when they are supported by a third party, as well as potentially less responsiveness from vendors than employees.

Transition to a Shared Services Center could create disruption in functions affected. The Company has historically performed functions such as regional accounting, accounts payable, accounts receivable collection, and payroll in a decentralized manner through regional accounting centers in its businesses. In 2007, the Company is beginning the consolidation of these functions in a Shared Services Center in Houston, Texas. The consolidation will occur first in certain accounting functions for the Janitorial Division and over the next two years other functions and additional business units will be moved to the Shared Services Center. The timing of the consolidation of different functions is tied to the upgrade of the Company's accounting systems and implementation of a new payroll system and human resources information system. In addition to the risks associated with technology changes, the Shared Services Center implementation could lead to the turnover of personnel with critical information, and thus in addition to the costs associated with replacing these employees, it could impede the Company's ability to bill its customers and collect receivables and might cause customer dissatisfaction associated with an inability to respond to questions about billings and other information until new employees can be retained and fully trained. Because the consolidation of functions in the Shared Services Center is tied to the upgrade of the Company's accounting system and implementation of a new payroll system and human resources information system, delays in the implementation of the technology changes would lead to delays in the Company's ability to realize the benefits associated with the Shared Services Center.

A change in the frequency or severity of claims against the Company, a deterioration in claims management, the cancellation or non-renewal of the Company's primary insurance policies, or a change in our customer's insurance needs could adversely affect the Company's results. 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. In fact, many of our clients choose to obtain insurance coverage for their risks associated with our services by being named as additional insureds under our master liability insurance policies and by seeking contractual indemnification for any damages associated with our services. In addition, pursuant to our management and service contracts, we charge certain clients an allocated portion of our insurance-related costs, including workers' compensation insurance, at rates that, because of the scale of our operations and claims experience, we believe are competitive. A material change in insurance costs due to a change in the number of claims, claims costs or premiums could have a material effect on our operating income. While the Company attempts to establish adequate self-insurance reserves, unanticipated increases in the frequency or severity of claims against the Company would have an adverse financial impact. Also, where the Company self-insures, a deterioration in claims management, whether by the Company or by a third party claims administrator, could lead to mismanagement of claims thereby increasing claim costs, particularly in the workers' compensation area. In addition, catastrophic uninsured claims against the Company or the inability or refusal of the Company's insurance carriers to pay otherwise insured claims would have a material adverse financial impact on the Company. Furthermore, should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, it would have an adverse impact on the Company's business.

A change in estimated claims costs could affect the Company's results. The Company periodically evaluates its estimated claim costs and liabilities to ensure that its self-insurance reserves are appropriate. Additionally, management monitors new claims and claims development to assess the adequacy of the insurance reserves. 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 developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). If the trends suggest that the frequency or severity of claims incurred has increased, the Company might be required to record additional expenses for self-insurance liabilities. In addition, variations in estimates that cause changes in the Company's insurance reserves may not always be related to changes in its claims experience. Changes in insurance reserves as a result of a review can cause swings in operating results that are unrelated to the Company's ongoing business. In addition, because of the time required for the 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. Because the Company bases its pricing in part on its estimated insurance costs, the Company's prices could be higher or lower than they otherwise might be if better information were available resulting in a competitive disadvantage in the former case and reduced margins or unprofitable contracts in the latter.

Acquisition activity could slow or be unsuccessful. A significant portion of the Company's historic growth has come through acquisitions and the Company expects to continue to acquire businesses in the future as part of its growth strategy. 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. There can be no assurance that any acquisition that the Company makes in the future will provide the Company with the benefits that were anticipated when entering the transaction. The process of integrating an acquired business may create unforeseen difficulties and expenses. In addition, the Company's announced strategy of international growth will entail new risks associated with currency fluctuations, international economic fluctuations, and language and cultural differences. The areas in which the Company may face risks in the United States and internationally include:

- Diversion of management time and focus from operating the business to acquisition integration;
- The need to implement or improve internal controls, procedures and policies appropriate for a public company at businesses that prior to the acquisition lacked these controls, procedures and policies;

Table of Contents

- The need to integrate acquired businesses' accounting, management information, human resources and other administrative systems to permit effective management;
- Inability to retain employees from businesses the Company acquires;
- Inability to maintain relationships with customers of the acquired business;
- Write-offs or impairment charges relating to goodwill and other intangible assets from acquisitions; and
- Unanticipated or unknown liabilities relating to acquired businesses.

The Company could experience labor disputes that could lead to loss of sales or expense variations. At July 31, 2007, approximately 39% of the Company's employees were subject to various local collective bargaining agreements. Some collective bargaining agreements will expire or become subject to renegotiation during fiscal year 2007. In addition, the Company is facing a number of union organizing drives. When one or more of the Company's major collective bargaining agreements becomes subject to renegotiation or when the Company faces union organizing drives, the Company and the union may disagree on important issues which, in turn, could lead to a strike, work slowdown or other job actions at one or more of the Company's locations. In a market where the Company and a number of major competitors are unionized but other competitors are not unionized, the Company could lose customers to competitors who are not unionized. A strike, work slowdown or other job action could in some cases disrupt the Company from providing its services, resulting in reduced revenue. If declines in customer service occur or if the Company's customers are targeted for sympathy strikes by other unionized workers, contract cancellations could result. The result of negotiating a first time agreement or renegotiating an existing collective bargaining agreement could be a substantial increase in labor and benefits expenses that the Company could be unable to pass through to its customers for some period of time, if at all.

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. Decreases in occupancy 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 Sales are known as tag jobs, which are services 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 and cannot pass through these costs to customers.

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 by the loss of these customers.

The Company's success depends on its ability to preserve its long-term relationships with its customers. The Company's contracts with its customers can generally be terminated 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.

The Company is subject to intense competition that can constrain its ability to gain business and its profitability. 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 consisting primarily of regional and local owner-operated companies, 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 have a competitive advantage in locations where 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. Further, if the Company's Sales decline, the Company may not be able to reduce its expenses correspondingly.

An increase in costs that the Company cannot pass on to customers could affect profitability. The Company negotiates many contracts under which its customers agree to pay certain costs at rates set by the Company, particularly workers' compensation and other insurance coverage where the Company self insures much of its risk. If the Company's actual costs exceed the rates set by the Company, then the Company's profitability may decline unless it can negotiate increases in these rates. In addition, if the Company's costs, particularly workers' compensation and other insurance costs, exceed those of its competitors, the Company may lose business unless it establishes rates that do not fully cover its costs.

Natural disasters or acts of terrorism could disrupt the Company in providing services. Storms, earthquakes, or other natural disasters or acts of terrorism may result in reduced Sales or property damage. Disasters may also cause economic dislocations throughout the country. In addition, natural disasters or acts of terrorism may increase the volatility of the Company's results, either due to increased costs caused by the disaster with partial or no corresponding compensation from customers, or, alternatively, increased Sales and profitability related to tag jobs, special projects and other higher margin work necessitated by the disaster. In addition, a significant portion of the Company's Parking Sales is tied to the numbers of airline passengers and hotel guests and Parking results could be adversely affected if people curtail business and personal travel.

The Company incurs significant accounting and other control costs that reduce its profitability. As a publicly traded corporation, the Company incurs certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if controls thought to be effective later fail, the Company may be forced to make additional expenditures, the amounts of which could be material. Most of the Company's competitors are privately owned so its accounting and control 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 internal controls and audits, its costs associated with regulatory compliance will rise as a percentage of Sales.

Other issues and uncertainties may include:

- Unanticipated adverse jury determinations, judicial rulings or other developments in litigation to which the Company is subject;
- New accounting pronouncements or changes in accounting policies;
- Changes in U.S. immigration law that raise the Company's administrative costs;
- Labor shortages that adversely affect the Company's ability to employ entry level personnel;
- Legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers;
- A reduction or revocation of the Company's line of credit that could increase interest expense and the cost of capital;

Table of Contents

- Low levels of capital investments by customers, which tend to be cyclical in nature, could adversely impact the results of the Company's Lighting segment; and
- 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.

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 undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

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

(c) Stock Repurchases

On December 12, 2006, ABM's Board of Directors authorized the purchase of up to 2,000,000 shares of ABM's outstanding common stock at any time through October 31, 2007. No stock repurchases were made in the third quarter of 2007.

Item 5B. Other Information

On September 5, 2007, the Board of Directors appointed Sarah McConnell, Senior Vice President and Deputy General Counsel. Ms. McConnell is the former Vice President, Assistant General Counsel and Secretary of Fisher Scientific International, Inc. Her initial responsibilities will include providing legal counsel in the establishment of ABM's Shared Services Center and its information technology system transition. Linda Auwers, Senior Vice President, General Counsel and Corporate Secretary has informed the Board of Directors that she plans to retire in May 2008. At that time, the Board of Directors anticipates that Ms. McConnell will be named General Counsel and Corporate Secretary.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

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

ABM Industries Incorporated

September 10, 2007

/s/ George B. Sundby

George B. Sundby
Executive Vice President,
Chief Financial Officer
(Duly Authorized Officer,
Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

- 10.1 Executive Stock Option Plan, as amended and restated as of September 4, 2007
- 10.2 Time-Vested Incentive Stock Option Plan, as amended and restated as of September 4, 2007
- 10.3 1996 Price-Vested Performance Stock Option Plan, as amended and restated as of September 4, 2007
- 10.4 2002 Price-Vested Performance Stock Option Plan, as amended and restated as of September 4, 2007
- 10.8 Deferred Compensation Plan, amended and restated, effective January 1, 2005
- 10.16 Deferred Compensation Plan for Non-Employee Directors, as amended and restated as of September 5, 2007
- 31.1 Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 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

ABM INDUSTRIES INCORPORATED
EXECUTIVE STOCK OPTION PLAN
(as amended and restated as of September 4, 2007)

ARTICLE 1

Definitions

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

- (a) "Beneficiary" means a person designated as such by an Optionee or a Beneficiary for purposes of the Plan or determined with reference to Section 4.4.
- (b) "Board" shall mean the Board of Directors of the Company.
- (c) "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.
- (d) "Company" shall mean ABM Industries Incorporated.
- (e) 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.
- (f) "Nonemployee Director" shall mean a member of the Board who is neither an employee of the Company nor of any Subsidiary.
- (g) "Option" shall mean an option to purchase Stock granted to the provisions of Article VI hereof.
- (h) "Optionee" shall mean an individual to whom an Option has been granted hereunder.
- (i) "Plan" shall mean the ABM Industries Incorporated Executive Stock Option Plan, the terms of which are set forth herein.

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

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

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

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

ARTICLE II

The Plan

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

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

ARTICLE III

Participants

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

10 percent ((10%) holders). Each Nonemployee Director who becomes such after the 1995 Annual Meeting of Stockholders and prior to December 9, 2003, automatically shall receive, as of the date of his or her election or appointment to the Board, an Option to purchase 12,000 shares of Stock.

ARTICLE IV

Administration

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

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

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

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

ARTICLE V

Shares of Stock Subject to Plan

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

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

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

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

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

ARTICLE VI

Options

6.1 Option Grant and Agreement. Each Option granted hereunder shall be evidenced by minutes of a meeting or the written consent of the Committee and by a written Stock Option Agreement dated as of the date of grant and executed by the Company and the Optionee, which Agreement shall set forth such terms and conditions as 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. Options shall be exercisable, during the Optionee's lifetime, only by the Optionee. No Option or any right granted thereunder shall be

transferable by the Optionee by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, an Optionee may designate a Beneficiary to succeed, after the Optionee's death, to all of the Optionee's Options outstanding on the date of death.

6.7 Effect of 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 September 4, 2007)

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. Notwithstanding the foregoing, an optionee may designate a Beneficiary to succeed, after the optionee's death, to all of the optionee's options outstanding on the date of death. "Beneficiary" means a person designated as such by an optionee or a Beneficiary for purposes of the Plan or determined with reference to Section 6 of Article IV.

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; provided, however, that when the term "fair market value" is used in reference to the grant of an option which is effective on a future date set by the Compensation Committee, "fair market value" shall refer to the closing price of the Common Stock as quoted in the Composite

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 optionee's designated Beneficiary, 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.

6. BENEFICIARY DESIGNATION

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

ARTICLE V
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 optionee's designated Beneficiary, 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 September 4, 2007)

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. "Beneficiary" means a person designated as such by an Optionee or a Beneficiary for purposes of the Plan or determined with reference to Section 5k hereof.
- c. "Board" or "The Board" means the board of directors ("Directors") of the Company.
- d. "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.
- e. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of The Plan, respectively.
- f. "Code" or "The Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- g. "Commission" or "The Commission" means the Securities and Exchange

Commission or any successor agency.

- h. "Committee" or "The Committee" means the committee referred to in Section 2 of The Plan.
- i. "Company" or "The Company" means ABM Industries Incorporated, a Delaware corporation.
- j. "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).
- k. "Eligible Person" has the meaning stated in Section 4 of The Plan.
- l. "Exchange Act" or "The Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.
- m. 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.
- n. "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.
- o. "Optionee" shall mean any Eligible Person who has been granted Stock Options under The Plan.
- p. "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.
- q. "Retirement" means retirement from active full-time employment with the Company or any of its Affiliates at or after age sixty-four (64).
- r. "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.
- s. "Stock" means common stock, par value \$0.01 per share, of the Company.
- t. "Stock Option" or "Option" means an option granted under Section 5 of The Plan.
- u. "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 designated Beneficiary following the death of Optionee, 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.

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

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 September 4, 2007)

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. "Beneficiary" means a person designated as such by an Optionee or a Beneficiary for purposes of the Plan or determined with reference to Section **.
- c. "Board" or "the Board" means the board of directors ("Directors") of the Company.
- d. "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.

- e. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of the Plan, respectively.
- f. "Code" or "the Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- g. "Commission" or "the Commission" means the Securities and Exchange Commission or any successor agency.
- h. "Committee" or "the Committee" means the committee referred to in Section 2 of the Plan.
- i. "Company" or "the Company" means ABM Industries Incorporated, a Delaware corporation.
- j. "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).
- k. "Eligible Person" has the meaning set forth in Section 4 of the Plan.
- l. "Exchange Act" or "the Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any comparable successor provisions.
- m. 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; provided, however, that when the term "fair market value" is used in reference to the grant of an option which is effective on a future date set by the Compensation Committee, "fair market value" shall refer to the closing price of the Common Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on such effective date as published in the "Wall Street Journal."
- n. "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.

- o. "Optionee" shall mean any Eligible Person who has been granted Stock Options under the Plan.
- p. "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.
- q. "Retirement" means retirement from active full-time employment with the Company or any of its Affiliates at or after age sixty-four (64).
- r. "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.
- s. "Stock" means common stock, par value \$0.01 per share, of the Company.
- t. "Stock Option" or "Option" means an option granted under Section 5 of the Plan.
- u. "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 no less than 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) to a designated Beneficiary following the death of Optionee, 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.

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 by the Optionee (or, in the case of death, by the Optionee's designated Beneficiary) 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 by the Optionee (or, in the case of death, by the Optionee's designated Beneficiary) 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.

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

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 DEFERRED COMPENSATION PLAN

(Amended and Restated, Effective January 1, 2005)

TABLE OF CONTENTS

ARTICLE I DEFINITIONS	1
1.01 “401(k) Plan”	1
1.02 “Account”	1
1.03 “Administrative Committee” or “Committee”	1
1.04 “Beneficiary”	1
1.05 “Board”	1
1.06 “Change in Control”	1
1.07 “Code”	1
1.08 “Company”	1
1.09 “Compensation”	1
1.10 “Deferral”	1
1.11 “Disabled” or “Disability”	1
1.12 “Effective Date”	1
1.13 “Eligible Employee”	2
1.14 “Employer”	2
1.15 “ERISA”	2
1.16 “Highly Paid Participant”	2
1.17 “Identification Date”	2
1.18 “Key Employee”	2
1.19 “Participant”	2
1.20 “Performance-Based Bonus”	2
1.21 “Person”	2
1.22 “Plan”	2
1.23 “Plan Year”	3
1.24 “Separation from Service”	3
1.25 “Scheduled Withdrawal Date”	3
1.26 “Valuation Date”	3
ARTICLE II ELIGIBILITY FOR PARTICIPATION	3
2.01 Eligibility Requirements	3
2.02 Change in Employment Status	3
2.03 Determination of Eligibility	3
ARTICLE III DEFERRALS	4
3.01 Deferrals	4
3.02 Deferral Election	4
ARTICLE IV ACCOUNTS, FUNDING AND VALUATION	4
4.01 Establishment of Account	4
4.02 Valuation of Account Prior to the Implementation of a Supplemental Plan	5
4.03 Investment Elections After Implementation of a Supplemental 401(k) Plan	5
ARTICLE V PARTICIPANTS’ VESTED INTERESTS	6
5.01 Vesting	6

ARTICLE VI DISTRIBUTION OF BENEFITS	6
6.01 Distribution of Benefits	6
6.02 Unforeseeable Emergency Withdrawals	8
6.03 Special Distribution Election on or before December 31, 2007	9
6.04 Prohibition on Acceleration	9
6.05 Distributions to Key Employees	9
ARTICLE VII DEATH	9
7.01 Death	9
ARTICLE VIII THE ADMINISTRATIVE COMMITTEE	10
8.01 Appointment of Administrative Committee	10
8.02 Committee Operating Rules	10
8.03 Allocation and Delegation of Responsibilities	11
8.04 Duties and Responsibilities	11
8.05 Expenses and Compensation	12
8.06 Information from Employer	12
8.07 Administrative Committee; Signature	12
ARTICLE IX PARTICIPANTS' RIGHTS	12
9.01 Special Disclosures	12
9.02 Filing a Claim for Benefits	12
9.03 Denial of a Claim	13
9.04 Limitation of Rights	13
ARTICLE X AMENDMENT AND TERMINATION	13
10.01 Amendment	13
10.02 Termination of the Plan	14
10.03 Termination upon a Change in Control	14
10.04 Termination upon Dissolution or Bankruptcy	14
ARTICLE XI MISCELLANEOUS	14
11.01 Execution of Receipts and Releases	14
11.02 Notice and Unclaimed Benefits	15
11.03 Non-Alienation of Benefits	15
11.04 Loans to Participants	15
11.05 Benefits Payable to Incompetents	15
11.06 Applicable Law	16
11.07 Headings as Guide	16
11.08 Pronouns	16
11.09 Reference to Laws	16
11.10 Agent Designated for Service of Process	16
11.11 Participant's Rights Unsecured	16

ABM DEFERRED COMPENSATION PLAN
(Amended and Restated, Effective January 1, 2005)

ARTICLE I
DEFINITIONS

The following terms as used herein shall have the meaning hereinafter set forth unless the context clearly indicates a different meaning is required. Whenever in these definitions a word or phrase not previously defined is used, such word or phrase shall have the meaning thereafter given to it in Article I unless otherwise specified.

- 1.01 “401(k) Plan” means the ABM Industries Incorporated 401(k) Employee Savings Plan.
- 1.02 “Account” means the account established and maintained by the Administrative Committee for each Participant.
- 1.03 “Administrative Committee” or “Committee” means those individuals designated by the Board to administer the Plan, and any successors appointed in accordance with Section 8.02 of the Plan.
- 1.04 “Beneficiary” means the Person last designated by a Participant on a form provided by the Administrative Committee or by the terms of the Plan to receive any amounts payable under the Plan following the death of the Participant. A Participant may change the Beneficiary from time to time on a form provided by the Administrative Committee.
- 1.05 “Board” means the Board of Directors of the Company.
- 1.06 “Change in Control” shall have the meaning given that term in Section 10.03.
- 1.07 “Code” means the Internal Revenue Code of 1986, as amended from time to time.
- 1.08 “Company” means ABM Industries Incorporated.
- 1.09 “Compensation” means all amounts (including Performance-Based Bonuses and other bonuses) paid by the Employer to the Employee while a Participant with respect to services rendered during the Plan Year, including all Deferrals elected by the Participant during the Plan Year.
- 1.10 “Deferral” means an amount that a Participant has elected to defer under Article III.
- 1.11 “Disabled” or “Disability” means that an individual is eligible for disability benefits under the Federal Social Security Act as determined by the Social Security Administration.
- 1.12 “Effective Date” means January 1, 2005.

- 1.13 “Eligible Employee” means any individual, including an officer of the Employer, who is (a) employed (other than as a director) by the Employer, (b) not either an hourly manual employee or in a unit of employees covered by a collective bargaining agreement, and (c) determined to be a Highly Paid Participant as defined in Section 1.16 during the Plan Year.
- 1.14 “Employer” means the Company, its subsidiaries (within the meaning of sections 414(b) and (c) of the Code), and its successors or assigns.
- 1.15 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 1.16 “Highly Paid Participant” means any Participant whose base rate of pay is at least \$125,000 per year, effective January 1, 2008.
- 1.17 “Identification Date” means each December 31.
- 1.18 “Key Employee” means a Participant who, on an Identification Date, is:
- (a) An officer of the Company having annual compensation greater than the compensation limit in section 416(i)(1)(A)(i) of the Code, provided that no more than 50 officers of the Company shall be determined to be Key Employees as of any Identification Date;
 - (b) A 5% owner of the Company; or
 - (c) A 1% owner of the Company having annual Compensation from the Company of more than \$150,000.
- If a Participant is identified as a Key Employee on an Identification Date, then such Participant shall be considered a Key Employee for purposes of the Plan during the period beginning on the first April 1 following the Identification Date and ending on the next March 31.
- 1.19 “Participant” means any Eligible Employee or former Employee who has satisfied the eligibility requirements of Section 2.01 who is, or may become, eligible to receive a benefit or whose Beneficiary may be eligible to receive a benefit under the Plan.
- 1.20 “Performance-Based Bonus” means the definition of performance-based compensation, as defined in section 409A of the Code and the regulations promulgated thereunder.
- 1.21 “Person” means any individual, partnership, joint venture, corporation, mutual company, joint stock company, trust, estate, unincorporated organization, association, or employee organization, and shall, where appropriate, include two or more of the above.
- 1.22 “Plan” means this ABM Deferred Compensation Plan, as amended and restated effective January 1, 2005. The Plan is intended to be an unfunded plan for the benefit of a select group of management or highly compensated employees, as such are defined in ERISA.

- 1.23 "Plan Year" means the 12-month period commencing January 1 and ending on the following December 31.
- 1.24 "Separation from Service" means termination of employment with the Company, other than by reason of Disability or death, as defined under the regulations promulgated under section 409A of the Code.
- 1.25 "Scheduled Withdrawal Date" means the month and year that the Participant elects; provided, however, that a Scheduled Withdrawal Date must be no less than three years after the Plan Year to which the election is made.
- 1.26 "Valuation Date" means March 31, June 30, September 30 and December 31 of each Plan Year; provided, however, that after implementation of a supplemental 401(k) Plan, "Valuation Date" shall mean any business day.

ARTICLE II
ELIGIBILITY FOR PARTICIPATION

2.01 Eligibility Requirements

Subject to Section 2.02, each Eligible Employee of the Employer shall become a Participant under the Plan on the later of (a) July 1, 1993, or (b) January 1 of the first Plan Year on or after he or she becomes (or becomes again) an Eligible Employee.

2.02 Change in Employment Status

A Participant's participation in the Plan shall terminate in the next Plan Year following the date on which he or she ceases to be an Eligible Employee as defined under the terms of the Plan, except that the Participant shall retain the right to receive his or her Account in accordance with the terms and conditions of the Plan. He or she shall again become eligible to participate in the Plan as of the January 1 coincident with or immediately following the date on which he or she regains the status of an Eligible Employee under the Plan.

2.03 Determination of Eligibility

The Administrative Committee shall determine whether each Eligible Employee has satisfied the eligibility requirements for participation in the Plan. The Committee's determination shall be conclusive and binding upon all persons.

ARTICLE III
DEFERRALS

3.01 Deferrals

For each Plan Year, a Participant may elect to defer receipt of a portion of his or her Compensation that he or she would otherwise receive from the Employer. The amount of the Deferral must equal a whole percentage not exceeding 20% of the amount of the Participant's Compensation. The elections described in this Article III shall specify the form and time of distribution of benefits as described in Section 6.01. Unless otherwise provided, an election must be made each year in order to participate in this Plan.

3.02 Deferral Election

- (a) Elections. For each Plan Year, a Participant (or any Eligible Employee who is expected to become eligible to participate in the Plan) may make an election described in Section 3.01 by filing an election form with the Administrative Committee within a reasonable period of time, as specified by the Committee, before the beginning of the Plan Year to which the Deferral election applies. Except as provided in this Plan, a Deferral election shall be irrevocable on the December 31 preceding the Plan Year and may not be changed or revoked during the Plan Year that it is effective; provided, however, that a Participant's election shall terminate if such Participant receives a distribution on account of an Unforeseeable Emergency or hardship withdrawal from the 401(k) Plan and thereafter the Participant must submit a new election during the next enrollment period to resume participation in the Plan.
- (b) Elections to Defer Performance-Based Bonuses. The Company, in its discretion, may permit a separate election to defer a Performance-Based Bonus, and such election may be made and be irrevocable no later than six months prior to the end of the applicable performance period; provided, however, that such election shall be made prior to the date that the Performance-Based Bonus is readily ascertainable.

ARTICLE IV
ACCOUNTS, FUNDING AND VALUATION

4.01 Establishment of Account

The Administrative Committee shall open and maintain a separate Account for each Participant. Such Account shall be credited with all Deferrals for the Participant. As soon as reasonably practicable after each Valuation Date, each Participant shall be notified of the value of his or her Account.

4.02 Valuation of Account Prior to the Implementation of a Supplemental Plan

- (a) Until the date designated by the Administrative Committee for implementation of a supplemental 401(k) Plan, as described in Section 4.03, interest shall be credited to each Participant's Account as of each Valuation Date equal to the product of
 - (1) the amount credited to the Participant's Account as of the last preceding Valuation Date, less any distributions or withdrawals and plus one-half of Deferrals, if any, since the last preceding Valuation Date, multiplied by
 - (2) the applicable interest rate.
- (b) On each Valuation Date, each Participant's Account will be credited with interest. The amount of interest will be derived from the prime interest rate published in The Wall Street Journal on the last business day coinciding with or next preceding the Valuation Date. Any prime rate up to 6% will be considered in full, and one-half of any prime rate over 6% will be considered; provided, however, that effective April 1, 2007, the interest rate will not exceed 120% of the long-term applicable federal rate (compounded quarterly), as published by the Internal Revenue Service for the applicable Plan Year. The amount credited will be a proration of the interest rate applied taking into consideration the period of time elapsed since the last Valuation Date.

4.03 Investment Elections After Implementation of a Supplemental 401(k) Plan

- (a) Effective upon the date selected for implementation of a supplemental 401(k) Plan by the Administrative Committee, each Participant shall make an investment election in the manner prescribed by the Administrative Committee, indicating the Participant's election to have the value of his or her Account determined by crediting it with such earnings, gains and losses as would have accrued to the Participant's Account had such funds actually been invested in one or more of the investment funds maintained in the 401(k) Plan. Such investment election may be changed from time to time by the Participant with respect to both past and future deferrals by following the procedures prescribed by the Committee.
- (b) If an investment fund is eliminated from the 401(k) Plan, the value of the portion of the Participant's Account that the Participant previously had elected be determined with reference to such investment fund shall thereafter be determined in the manner determined by the Committee in its sole discretion.

ARTICLE V
PARTICIPANTS' VESTED INTERESTS

5.01 Vesting

Each Participant shall always be 100% vested in the portion of his or her Account attributable to Deferrals and interest or earnings credited pursuant to Section 4.

ARTICLE VI
DISTRIBUTION OF BENEFITS

6.01 Distribution of Benefits

Except as otherwise provided in Article VI of the Plan, a Participant's Account may not be distributed to a Participant or his or her Beneficiary before the dates chosen pursuant to the election made by the Participant.

(a) Form of Distribution. A Participant will elect, in writing, on a form prescribed by the Administrative Committee, which of the distribution options described below will govern the payment of the Participant's Account upon a Separation from Service. The Participant's Account will be distributed to him (subject to the timing requirements outlined in paragraphs (b) — (e) below) on any of the following schedules:

- (1) A single lump sum,
- (2) Four annual installments, or
- (3) Ten annual installments.

If the Participant made no election at the time specified in Section 3.02, his or her benefit shall be paid as a single lump sum upon a Separation from Service. For purposes of this Plan, installment payments shall be treated as a single distribution under section 409A of the Code.

(b) Time of Distribution

- (1) Separation from Service. If a Participant Separates from Service, his or her Account shall be distributed in the form elected by the Participant pursuant to paragraph (a) above. Subject to the timing requirements of paragraphs (c), a Participant's Account shall be distributed on the seventh month following his or her Separation from Service. The amount in the Participant's Account shall be determined as of the Valuation Date that last precedes the date of distribution, plus Deferrals and less any

withdrawals or distributions, if any, for the period from the last preceding Valuation Date to the date of distribution.

- (2) Disability. Effective January 1, 2007, if a Participant becomes Disabled, his or her Account shall be distributed, in the manner elected by the Participant pursuant to paragraph (a) above, as soon as administratively feasible, but no later than 90 days, after the Participant becomes Disabled. The amount in the Participant's Account shall be determined as of the Valuation Date that last precedes the date of distribution, plus Deferrals and less any withdrawals or distributions, if any, for the period from the last preceding Valuation Date to the date of distribution.
- (3) Scheduled Withdrawal Date. A Participant may elect to have all or a portion of his or her Plan Year deferrals distributed to him or her on up to three Scheduled Withdrawal Dates, while such Participant is an employee, elected by the Participant, each a single lump sum.

Subject to the timing requirements outlined in paragraphs (c) below, a Participant shall receive his or her distribution under this subparagraph (3) as soon as administratively feasible, but no later than 90 days, after the Scheduled Withdrawal Date. If a Participant elects a Scheduled Withdrawal Date, his or her applicable deferral amount valued as of the last Valuation Date preceding the elected Scheduled Withdrawal Date shall be distributed as elected in this subparagraph (3).

Notwithstanding an election pursuant to this subparagraph (3), if a Participant Separates from Service prior to the Scheduled Withdrawal Date, the Participant's Account shall be distributed pursuant to his or her election under subparagraph (1) above.

Notwithstanding the foregoing, upon a distribution of a Participant's Account in subparagraphs (1), (2) and (3) above, and after January 1, 2007 but prior to the implementation of a supplemental 401(k) Plan as described in Section 4.03, the Company shall credit to a Participant's Account interest on the amount that is the difference of the value of the Participant's Account as of the last Valuation Date preceding the scheduled distribution date. Interest shall be calculated using the principles set forth in Section 4.02.

(c) Changes to Distribution Elections

A Participant may change his or her Scheduled Withdrawal Date and/or the form of distribution of his or her Account upon a Separation from Service by submitting a form, as the Committee prescribes; provided that (1) any such change is not effective for 12 months, (2) such form is submitted at least twelve months prior to the date of the Scheduled Withdrawal Date or the Participant Separates from Service, whichever is applicable, (3) the scheduled date of payment is at least five years subsequent to the originally scheduled date of

payment, and (4) the form is accepted by the Committee, in its sole and absolute discretion. The change may be modified or revoked until twelve months prior to the time a Participant is scheduled to receive a payment, at which time such change shall become irrevocable. The last valid form accepted by the Committee shall govern the payout of a Participant's Scheduled Withdrawal Date or Account, as applicable.

Distributions made pursuant to this paragraph (c) will be made as soon as administratively practicable, but no later than 90 days, after the scheduled date of distribution.

(d) No Cessation of Distribution for Rehired Participants

In addition, if a Participant Separates from Service and is later rehired by an Employer, distributions shall not cease, but continue to be distributed as elected.

6.02 Unforeseeable Emergency Withdrawals

- (a) A Participant may withdraw up to 100% of the amount in his or her Deferral Account in the event of an unforeseeable emergency to the extent provided in this Section 6.02.
- (b) For purposes of this Section 6.02, unforeseeable emergency means a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as defined in section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control.
- (c) The withdrawal under this Section 6.02 may not exceed the amount reasonably necessary to satisfy the financial need (including the amount of any federal, state or local income taxes or penalties reasonably anticipated to result from the withdrawal). The withdrawal may not be made to the extent the need may be satisfied (1) through reimbursement or compensation by insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of the assets would not itself cause severe financial hardship, or (3) by ceasing Deferrals under the Plan.
- (d) A Participant who wishes to withdraw any amount pursuant to this Section 6.02 must submit, on a form provided by the Administrative Committee, a written request by the Participant that states:
 - (1) The unforeseeable emergency for which the withdrawal is requested;
 - (2) The amount needed to satisfy the financial need, which amount may include any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal;

- (3) A representation that the need cannot be satisfied in any of the ways stated in the second sentence of paragraph (c);
- (4) The date the funds are required; and
- (5) Any other information the Administrative Committee deems necessary.
- (e) The Administrative Committee will determine if an unforeseeable emergency withdrawal will be allowed by applying the standards set forth in paragraphs (b) and (c).
- (f) A withdrawal from a Participant's Account under this Section 6.02 shall be paid in a lump sum.

6.03 Special Distribution Election on or before December 31, 2007

Participants who are identified by the Administrative Committee, in its sole discretion, may make a special distribution election to receive a distribution of their Accounts in calendar year 2008 or later, provided that the distribution election is made at least twelve months in advance of the newly elected distribution date (and the previously scheduled distribution date, if any) and the election is made no later than December 31, 2007. An election made pursuant to this Section 6.03 shall be subject to any special administrative rules imposed by the Committee including rules intended to comply with section 409A of the Code. No election under this Section 6.03 shall (a) change the payment date of any distribution otherwise scheduled to be paid in 2007 or cause a payment to be paid in 2007, or (b) be permitted after December 31, 2007.

6.04 Prohibition on Acceleration

Notwithstanding any other provision of the Plan to the contrary, no distribution will be made from the Plan that would constitute an impermissible acceleration of payment as defined in section 409A(a)(3) of the Code and the regulations promulgated thereunder.

6.05 Distributions to Key Employees

Notwithstanding any other provision of the Plan to the contrary, distributions to a Key Employee may not be made before the date that is six months after the date of his or her Separation from Service.

ARTICLE VII

DEATH

7.01 Death

If a Participant dies before distribution of his or her Account has begun or been completed, the remaining portion of the Participant's Account shall be payable in a single

lump sum to the Participant's Beneficiary no later than 90 days after the date of the Participant's death. The value of the Participant's Account shall be determined in accordance with the rules set forth in Section 4.

ARTICLE VIII

THE ADMINISTRATIVE COMMITTEE

8.01 Appointment of Administrative Committee

The Company shall designate the persons to serve as the Administrative Committee to manage and administer this Plan in accordance with the provisions hereof, each member to serve for such term as the Company may designate or until a successor member has been appointed or until removed by the Company. Vacancies due to resignation, death, removal or other cause shall be filled by the Company. In the event no successor is appointed, the remaining member(s) or, if none, the Board will function as the Administrative Committee until vacancies have been filled. Members shall serve without compensation for Committee service. All reasonable expenses of the Committee shall be paid by the Company.

8.02 Committee Operating Rules

The Committee shall act by agreement of a majority of its members, either by vote at a meeting or in writing without a meeting. The signature of one member of the Administrative Committee may be accepted by any interested party as conclusive evidence that the Administrative Committee has duly authorized the action therein set forth. No person receiving documents or written instructions and acting in good faith and in reliance thereon shall be obliged to ascertain the validity of such action under the terms of this Agreement. A member of the Committee, who is also a Participant hereunder, shall not vote or act upon any matter relating solely to him. In the event of a deadlock or other situation which prevents agreement of a majority of the Committee members, the matter shall be decided by the Compensation Committee of the Board.

8.03 Allocation and Delegation of Responsibilities

The Administrative Committee may engage agents to assist in carrying out the Administrative Committee's functions hereunder. The Committee shall administer the Plan and shall have full discretionary authority to construe this Plan and to determine all questions of interpretation or policy in a manner not inconsistent with the Plan and the Administrative Committee's construction or determination in good faith shall be final and conclusive and binding on all parties including but not limited to the Employer and any Participant or Beneficiary, except as otherwise provided by law. The Administrative Committee may correct any defect, supply any omission, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan, provided, however, that any interpretation or construction shall be done in a nondiscriminatory manner and shall be consistent with the intent that the Plan shall be for the benefit of a select group of management or highly compensated employees. The Administrative Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

8.04 Duties and Responsibilities

The Administrative Committee shall be charged with the duties of the general administration of the Plan, including but not limited to, the following:

- (a) To determine all questions relating to the eligibility of employees to participate in or remain a Participant hereunder;
- (b) To maintain all the necessary records for the administration of the Plan;
- (c) To interpret the provisions of the Plan and to make and publish such rules for regulation of the Plan as are not inconsistent with the terms hereof;
- (d) To make any adjustments in the allocations to Accounts under the Plan necessary to comply with any provision of law;
- (e) To compute and certify to the Employer initially and from time to time the sums of money necessary to be contributed to the trust; and
- (f) To advise, counsel and assist any Participant regarding any rights, benefits or elections available under the Plan.

The Administrative Committee shall also be responsible for preparing and filing such annual disclosure reports as may be required by law.

Whenever it is determined by the Administrative Committee to be in the best interest of the Plan and its Participants and Beneficiaries, the Administrative Committee may request such variances, deferrals, extensions, or exemptions or make such elections for the Plan as may be available under the law.

8.05 Expenses and Compensation

The expenses necessary to administer the Plan and the expenses incurred by the Administrative Committee shall be paid by the Employer.

8.06 Information from Employer

The Employer shall supply full and timely information to the Administrative Committee on all matters relating to the Compensation of all Participants, their continuous regular employment, their retirement, death, the fact of their Disability or Separation from Service, and such other pertinent facts as the Administrative Committee may require.

8.07 Administrative Committee; Signature

The Committee shall act, consistent with its charter, by agreement of a majority of its members, either by vote at a meeting or in writing without a meeting. The signature of one member of the Administrative Committee may be accepted by any interested party as conclusive evidence that the Administrative Committee has duly authorized the action therein set forth. No person receiving documents or written instructions and acting in good faith and in reliance thereon shall be obliged to ascertain the validity of such action under the terms of this Agreement.

**ARTICLE IX
PARTICIPANTS' RIGHTS**

9.01 Special Disclosures

The Company shall furnish at least every six months each Participant or Beneficiary with a written statement, based on the latest available information, indicating his or her total benefits accrued.

Upon a Separation from Service, a Participant in the Plan is entitled to a written explanation of and accounting for his or her Account and of any applicable options regarding the disposition of such Account.

9.02 Filing a Claim for Benefits

A Participant or Beneficiary or the Employer acting in his or her behalf shall notify the Administrative Committee of a claim for benefits under the Plan. Such request may be in any form acceptable to the Administrative Committee and shall set forth the basis of such claim and shall authorize the Administrative Committee to conduct such examinations as may be necessary to determine the validity of the claim and to take such steps as may be necessary to facilitate the payment of any benefits to which the Participant or Beneficiary may be entitled under the terms of the Plan. The Administrative Committee shall review the claim and may require additional information if necessary to process the claim. The Administrative Committee shall issue its decision, in writing, no later than 90 days after

the date the claim is received, unless circumstances require an extension of time. If such an extension is required, written notice of the extension shall be furnished to the person making the claim within the initial 90-day period, and the notice shall state the circumstances requiring the extension and the date by which the Administrative Committee expects to reach a decision on the claim. In no event shall the extension exceed a period of 90 days from the end of the initial period.

9.03 Denial of a Claim

Whenever a claim for benefits by any Participant or Beneficiary has been denied, in whole or in part, a written notice of the denial will be provided to the Participant or Beneficiary within the period specified in Section 9.02 above. The notice shall set forth, in a manner calculated to be understood by the claimant, (i) the specific reason or reasons for the denial; (ii) reference to the specific Plan provisions upon which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such information is necessary; and (iv) an explanation of the Plan's appeal procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

9.04 Limitation of Rights

Participation hereunder shall not grant any Participant the right to be retained in the service of the Employer or any rights or interest other than those specifically herein set forth.

ARTICLE X

AMENDMENT AND TERMINATION

10.01 Amendment

The Board may at any time and from time to time amend this Plan in whole or in part (including retroactively). The Board shall promptly deliver to the Administrative Committee a written copy of the document amending the Plan. The Board shall not have the right to amend the Plan retroactively in such a manner as to deprive any Participant or Beneficiary of any benefit to which he or she was entitled under the Plan by reason of Deferrals credited prior to the amendment.

The Committee may amend the Plan to bring the Plan into compliance with applicable law (including changes required in order to avoid penalty taxes applied to Participants under Section 409A of the Code), to admit additional employees to the Plan in connection with the acquisition of assets or additional business operations by the Employer, or to make such other changes as the Committee deems desirable; provided that such changes do not materially increase the cost of the Plan to the Employer or take the Plan out of compliance with applicable law, and provided further that the Committee may not amend this Article X.

10.02 Termination of the Plan

- (a) General. The Board may terminate the Plan at any time and in the Board's discretion the Accounts of Participants may be distributed within the period beginning twelve months after the date the Plan was terminated and ending twenty-four months after the date the Plan was terminated. If the Plan is terminated and Accounts are distributed, the Company shall terminate all account balance non-qualified deferred compensation plans with respect to all participants and shall not adopt a new account balance non-qualified deferred compensation plan for at least five years after the date the Plan was terminated.

10.03 Termination upon a Change in Control

- (a) "Change in Control" shall be deemed to have occurred upon a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company as defined in the regulations promulgated under section 409A of the Code.

(b) Discretionary Distribution of Accounts

The Board, in its discretion may terminate the Plan 30 days prior to, or twelve months following, a Change in Control and distribute the Accounts of the Participants within the 12-month period following the termination of the Plan. If the Plan is terminated and Accounts are distributed, the Company shall terminate all substantially similar non-qualified deferred compensation plans sponsored by the Company and all of the benefits of the terminated plans shall be distributed within twelve months following the termination of the plans.

10.04 Termination upon Dissolution or Bankruptcy

The Board, in its discretion, may terminate the Plan upon a corporate dissolution of the Company that is taxed under section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. section 503(b)(1)(A), provided that the Participants' Accounts are distributed and included in the gross income of the Participants by the latest of (i) the calendar year in which the Plan terminates or (ii) the first calendar year in which payment of the Accounts is administratively practicable.

ARTICLE XI MISCELLANEOUS

11.01 Execution of Receipts and Releases

Any payment to any Participant or Beneficiary, in accordance with the provisions of this Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Plan, and the Administrative Committee may require such Participant or Beneficiary, as a

condition precedent to such payment, to execute a receipt and release therefor in such form as the Administrative Committee shall determine.

11.02 Notice and Unclaimed Benefits

Each Participant and Beneficiary must file with the Employer from time to time in writing his or her post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant or Beneficiary at his or her last post office address filed with the Employer (or if no address was filed with the Employer, then at his or her last post office address shown on his or her "Employer's Records") will be binding on the Participant and his or her Beneficiary for all purposes of the Plan. Neither the Employer, Administrative Committee, nor any insurance company providing annuity contracts under the Plan shall be obliged to search for or ascertain the whereabouts of any Participant or Beneficiary. For the purpose of this Section, "Employer Records" means the payroll records maintained by an Employer. Such records shall be conclusive, unless shown to the Employer's satisfaction to be incorrect.

The Committee shall notify any Participant or Beneficiary when a distribution is required under the Plan. The Committee may also request the Social Security Administration to notify the Participant or Beneficiary in accordance with any procedures the Administration has established for this purpose. In the event that the Participant or Beneficiary shall fail to respond to any notice from the Committee, the amount in his or her Account shall be forfeited.

11.03 Non-Alienation of Benefits

Except in the case of a qualified domestic relations order, as defined in section 414(p) of the Code:

- (a) No Participant or Beneficiary, and no creditor of a Participant or Beneficiary shall have any right to assign, pledge, sell, hypothecate, anticipate or in any way create a lien upon his or her benefits under the Plan by operation of law or otherwise, and any attempt to do so shall be void; nor shall any such benefits in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.
- (b) No interest in the Plan shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act or by operation of law or equity, or subject to attachment, execution, garnishment, sequestration, levy or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants and Beneficiaries.

11.04 Loans to Participants

A Participant may not receive a loan from the Plan of any portion of his or her Account.

11.05 Benefits Payable to Incompetents

Each individual receiving benefit payments under the Plan shall be conclusively presumed to have been legally competent until the date upon which the Administrative Committee shall have received written notice in the form and manner acceptable to it that such individual is an incompetent for whom a guardian or other person legally vested with his or her care shall have been appointed. From and after the date of receipt of such notice by the Administrative Committee, all future benefit payments to which such individual is entitled under the Plan shall be payable to his or her guardian or other person legally vested with his or her care, until such time as the Administrative Committee shall be furnished with evidence satisfactory to it that such individual is legally competent.

11.06 Applicable Law

This Plan shall be governed and construed under the laws of the State of California and, to the extent applicable, ERISA and regulations thereunder.

11.07 Headings as Guide

The headings of this Plan are inserted for convenience of reference only and are not to be considered in construction of the provisions hereof.

11.08 Pronouns

When necessary to the meaning hereof, either the masculine or the neuter pronoun shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall be deemed to include the plural.

11.09 Reference to Laws

Any reference to any section or regulation under the Code or ERISA or to any other statute or law shall be deemed to include any successor law of similar import.

11.10 Agent Designated for Service of Process

The designated person upon whom service of process may be made in any action involving the Plan shall be any current member of the Administrative Committee.

11.11 Participant's Rights Unsecured

The right of the Participant or his or her designated Beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither the Participant nor his or her designated Beneficiary shall have any rights in or against any amount credited to his or her Account or any other specific assets of the Company. All amounts credited to an Account shall constitute general assets of the Company and may be disposed of by the Company at such time and for such purposes as it may deem appropriate. An Account may not be encumbered or assigned by a Participant or any Beneficiary, as provided in Section 11.03.

Executed at this 10th day of September, 2007.

ABM INDUSTRIES INCORPORATED

By /s/ Erin M. Andre

Erin M. Andre

Senior Vice President — Human Resources

**ABM DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS**
As Amended and Restated as of September 5, 2007

TABLE OF CONTENTS

ArArticle I DEFINITIONS	1
1.01 "Account"	1
1.02 "Administrative Committee" or "Committee"	1
1.03 "Beneficiary"	1
1.04 "Board"	1
1.05 "Company"	1
1.06 "Compensation"	1
1.07 "Deferral"	1
1.08 "Director"	1
1.09 "Effective Date"	1
1.10 "Internal Revenue Code" or "Code"	1
1.11 "Participant"	1
1.12 "Person"	1
1.13 "Plan"	1
1.14 "Plan Administrator"	2
1.15 "Plan Year"	2
1.16 "Unforeseeable Emergency"	2
1.17 "Valuation Date"	2
ArArticle II ELIGIBILITY FOR PARTICIPATION	3
2.01 Eligibility Requirements	3
2.02 Change in Status	3
2.03 Determination of Eligibility	3
ArArticle III CONTRIBUTIONS	4
3.01 Deferrals	4
3.02 Elective Deferral Election	4
ArArticle IV ACCOUNTS, FUNDING AND VALUATION	
	5
4.01 Establishment of Account	5
4.02 Valuation of Account	5
ArArticle V PARTICIPANTS' VESTED INTERESTS	6
5.01 Vesting	6
ArArticle VI DISTRIBUTION OF BENEFITS	7
6.01 Distribution of Benefits	7
6.02 Retirement and Termination	7
6.03 Unforeseeable Emergency Withdrawals	7
6.04 Form of Distribution	8
ArArticle VII DEATH	9
7.01 Death	9

ArArticle VIII THE ADMINISTRATIVE COMMITTEE	10
8.01 Duties and Responsibility	10
8.02 Allocation and Delegation of Responsibilities	10
8.03 Expenses and Compensation	11
8.04 Information from Company	11
8.05 Administrative Committee; Signature	11
ArArticle IX PARTICIPANTS' RIGHTS	12
9.01 Disclosures	12
9.02 Filing a Claim for Benefits	12
9.03 Denial of a Claim	12
9.04 Limitation of Rights	12
ArArticle X AMENDMENT AND TERMINATION	13
10.01 Amendment or Termination	13
10.02 Procedure Upon Termination of the Plan	13
ArArticle XI MISCELLANEOUS	14
11.01 Execution of Receipts and Releases	14
11.02 Notice and Unclaimed Benefits	14
11.03 Non-Alienation of Benefits	14
11.04 Loans to Participants	15
11.05 Benefits Payable to Incompetents	15
11.06 Applicable Law	15
11.07 Headings as Guide	15
11.08 Pronouns	15
11.09 Reference to Laws	15
11.10 Participant's Rights Unsecured	15

Article I
DEFINITIONS

The following terms as used herein shall have the meaning hereinafter set forth unless the context clearly indicates a different meaning is required. Whenever in these definitions a word or phrase not previously defined is used, such word or phrase shall have the meaning thereafter given to it in Article I unless otherwise specified.

- 1.01 "Account" means the account established and maintained by the Administrative Committee for each Participant.
- 1.02 "Administrative Committee" or "Committee" means the Governance Committee of the Board of Directors of the Company.
- 1.03 "Beneficiary" means the Person last designated by a Participant on a form provided by the Administrative Committee or by the terms of the Plan to receive any amounts payable under the Plan following the death of the Participant. A Participant may change the Beneficiary from time to time on a form provided by the Administrative Committee.
- 1.04 "Board" means the Board of Directors of the Company.
- 1.05 "Company" means ABM Industries Incorporated, and, where appropriate, its successors or assigns.
- 1.06 "Compensation" means all the annual retainer and board meeting fees paid by the Company to the Eligible Director while a Participant with respect to services rendered during the Plan Year.
- 1.07 "Deferral" means an amount that a Participant has elected to defer under Article III.
- 1.08 "Director" means any individual who is a member of the Board and who is not an employee of the Company.
- 1.09 "Effective Date" means October 31, 2006.
- 1.10 "Internal Revenue Code" or "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 1.11 "Participant" means any Director or former Director who has satisfied the eligibility requirements of Section 2.01 who is, or may become, eligible to receive a benefit or whose Beneficiary may be eligible to receive a benefit under the Plan.
- 1.12 "Person" means any individual, partnership, joint venture, corporation, mutual company, joint stock company, trust, estate, unincorporated organization, association, or employee organization, and shall, where appropriate, include two or more of the above.
- 1.13 "Plan" means the ABM Deferred Compensation Plan for Non-Employee Directors.

1.14 "Plan Administrator" means the Company.

1.15 "Plan Year" means the calendar year.

1.16 "Unforeseeable Emergency" means shall mean a severe financial hardship to the Participant or his or her Beneficiary resulting from: (i) an illness or accident of the Participant or Beneficiary, the Participant's or Beneficiary's spouse, or the Participant's or Beneficiary's dependent (as defined in Code section 152(a)); (ii) loss of the Participant's or Beneficiary's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary. Hardship shall not constitute an Unforeseeable Emergency to the extent that it is, or may be, relieved by: (a) reimbursement or compensation, by insurance or otherwise; (b) liquidation of the Participant's or Beneficiary's assets to the extent that the liquidation of such assets would not itself cause severe financial hardship; or (c) cessation of deferrals under the Plan. An Unforeseeable Emergency does not include (among other events): (y) sending a child to college; or (z) purchasing a home. 1.17 "Valuation Date" means March 31, June 30, September 30 and December 31 of each Plan Year.

1.17 "Valuation Date" means March 31, June 30, September 30 and December 31 of each Plan Year.

Article II
ELIGIBILITY FOR PARTICIPATION

2.01 Eligibility Requirements

Each Director of the Company shall become a Participant under the Plan on the date he or she makes an election to defer Compensation under the Plan.

2.02 Change in Status

A Participant's participation in the Plan shall terminate immediately as of the date on which he or she ceases to be a Director, except that the Participant shall retain the right to receive his or her Account.

2.03 Determination of Eligibility

The Administrative Committee shall determine whether each Director has satisfied the eligibility requirements for participation in the Plan. The Committee's determination shall be conclusive and binding upon all persons.

Article III
CONTRIBUTIONS

3.01 Deferrals

For each Plan Year commencing with 2007, a Participant may elect to defer receipt of all or any portion of his or her Compensation that he or she would otherwise receive from the Company. In addition, in October 2006 each Eligible Director who is a party to a Director Retirement Plan benefit agreement may elect to have such benefit converted to a credit to the Account established pursuant to this Plan, effective November 1, 2006.

3.02 Elective Deferral Election

For each Plan Year, a Participant may make an election described in Section 3.01 by filing an election form with the Administrative Committee within a reasonable period of time, as specified by the Committee, before the beginning of the Plan Year to which the Deferral election applies. A Deferral election may not be changed during the Plan Year that it is effective; provided, that upon a showing of an Unforeseeable Emergency and with the consent of the Administrative Committee, a Participant may at any time revoke his or her Deferral election with respect to Compensation he or she has not yet earned during the Plan Year. A Participant who revokes his or her Deferral election may not again make an election to defer the receipt of Compensation effective before the beginning of the next Plan Year.

Article IV
ACCOUNTS, FUNDING AND VALUATION

4.01 Establishment of Account

The Administrative Committee shall open and maintain a separate Account for each Participant. Such Account shall be credited with all Deferrals for the Participant. In addition, the Account of each Eligible Director who has elected to convert his or her Director Retirement Plan benefits to an Account credit under this Plan shall be credited on November 1, 2006, with the amount approved by the Governance Committee pursuant to its resolution adopted on September 5, 2006. As soon as reasonably possible after each Valuation Date, each Participant shall be notified of the value of his or her Account.

4.02 Valuation of Account

- (a) Interest shall be credited to each Participant's Account as of each Valuation Date equal to the product of
- (1) the amount credited to the Participant's Account as of the last preceding Valuation Date, less any distributions or withdrawals and plus one-half (1/2) of Deferrals, if any, since the last preceding Valuation Date, multiplied by
 - (2) the applicable interest rate; provided, however, that for the December 31, 2006 Valuation Date, interest shall be based on the Account balance on November 1, 2006, if any.
- (b) On each Valuation Date, each Participant's Account will be credited with interest. The amount of interest will be derived from the prime interest rate published in The Wall Street Journal on the last business day coinciding with or next preceding the Valuation Date. Any prime rate up to 6% will be considered in full and 1/2 of any prime rate over 6% will be considered; provided, however, that effective October 1, 2007, the interest rate will not exceed 120% of the long-term applicable federal rate (compounded quarterly) as published by the Internal Revenue Service for the applicable Plan year. The amount credited will be a proration of the prime rate considered taking into consideration the period of time elapsed since the last Valuation Date (or since November 1, 2006, in the case of the December 31, 2006 Valuation Date).

For example, if the Plan is valued quarterly and on March 31, the prime rate is 7%, the rate credited will be $(1/4 \times 6\%) + (1/4 \times 1/2 \times 1\%)$ or 1.625%.

Article V
PARTICIPANTS' VESTED INTERESTS

5.01 Vesting

Each Participant shall always be one hundred percent (100%) vested in his or her Account; provided, however, that any amount credited to a Participant's Account on November 1, 2006 pursuant to the election described in Section 3.01 shall be forfeited if the Participant voluntarily resigns his or her position as a Director before November 1, 2007 for any reason other than disability, as determined pursuant to Section 409A(a)(2)(C) of the Code or in connection with a Change in Control. A "Change in Control" means that any of the following events occurs:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") (A) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 35% of the combined voting power of the then-outstanding Voting Stock of the Company or succeeds in having nominees as directors elected in an "election contest" within the meaning of Rule 14a-12(c) under the Exchange Act and (B) within 18 months thereafter, individuals who were members of the Board of Directors of the Company immediately prior to either such event cease to constitute a majority of the members of the Board of Directors of the Company; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger, consolidation, plan of liquidation or dissolution, recapitalization or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another Company, or other transaction (each, a "Business Transaction"), unless, in any such case, (A) no Person (other than the Company, any entity resulting from such Business Transaction or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction and (B) at least one-half of the members of the Board of Directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement providing for such Business Transaction.

Article VI
DISTRIBUTION OF BENEFITS

6.01 Distribution of Benefits

Except as provided in Article 6.03 below, a Participant's Account may not be distributed to a Participant or his or her Beneficiary before the date the Participant ceases to be a member of the Board.

6.02 Retirement and Termination

- (a) When a Participant's status as a Director terminates, the vested portion of his or her Account shall be distributed, or distribution shall commence within 90 days following termination of Director status. The amount in his or her Account shall be determined as of the Valuation Date that last precedes the date of distribution, plus Deferrals and less any withdrawals or distributions, if any, for the period from the last preceding Valuation to the date of distribution.
- (b) The distribution shall be made in the form elected by the Participant under Section 6.04. If the Participant made no election at the time specified in Section 6.04, his or her benefit shall be paid as a lump sum.

6.03 Unforeseeable Emergency Withdrawals

- (a) A Participant may withdraw up to one hundred percent (100%) of the amount in his or her Deferral Account in the event of an Unforeseeable Emergency to the extent provided in this Section 6.03.
- (b) A Participant who wishes to withdraw any amount pursuant to this Section 6.03 must submit, on a form provided by the Administrative Committee, a written request by the Participant that states:
 - (1) The Unforeseeable Emergency for which the withdrawal is requested;
 - (2) The amount needed to satisfy the financial need, which amount may include any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal;
 - (3) A representation that the need cannot be satisfied in any of the ways stated in the definition of Substantial Hardship;
 - (4) The date the funds are required; and
 - (5) Any other information the Administrative Committee deems necessary.

- (c) The Administrative Committee will determine if an Unforeseeable Emergency withdrawal will be allowed by applying the standards set forth in the definition of Substantial Hardship.
- (d) A withdrawal from a Participant's Account under Section 6.03 shall be paid in a lump sum.

6.04 Form of Distribution

A Participant may elect in writing, on a form prescribed by the Administrative Committee, to have his or her benefit (other than an Unforeseeable Emergency withdrawal) paid (a) as a lump sum, or (b) in substantially equal annual installments over a ten (10) year period. Such election must be made within 30 days following the date the Eligible Director becomes eligible to participate in the Plan (i.e., the later of the date of the Eligible Director's election to the Board or October 31, 2006). If the Participant fails to make such election or later wishes to change such election, he or she may make a later election, subject to the following restrictions: (i) The later election must be made no later than 12 months before the date payment is scheduled to be made or commence; (ii) The later election must defer the payment date for a minimum of five years from the previously scheduled payment date; and (iii) The later election must not accelerate the date of any payment or distribution. For purposes of the Plan, installment payments shall be treated as a single distribution under Code section 409A.

Article VII
DEATH

7.01 Death

If a Participant dies before distribution of his or her Account has begun or been completed, the remaining portion of the Participant's Account shall constitute a Death Benefit and shall be payable to the Participant's Beneficiary in a lump sum within six months after the date of death. The value of the Participant's Account shall be determined in accordance with the rules set forth in Section 6.02. If the Participant has not designated a Beneficiary or if the named Beneficiary does not survive the Participant, payment shall be made to the Participant's surviving spouse, if any, or if none to the Participant's surviving children, if any, in equal shares or if none to the Participant's estate.

Article VIII
THE ADMINISTRATIVE COMMITTEE

8.01 Duties and Responsibility

The Committee shall administer the Plan and shall have full discretionary authority to construe this Plan and to determine all questions of interpretation or policy in a manner not inconsistent with the Plan and the Administrative Committee's construction or determination in good faith shall be final and conclusive and binding on all parties including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. The Administrative Committee may correct any defect, supply any omission, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan, provided, however, that any interpretation or construction shall be done in a nondiscriminatory manner and shall be consistent with the intent that the Plan shall be an unfunded plan. The Administrative Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan.

The Administrative Committee shall be charged with the duties of the general administration of the Plan, including but not limited to, the following:

- (a) To determine all questions relating to the eligibility of Directors to participate in or remain a Participant hereunder;
- (b) To maintain all the necessary records for the administration of the Plan;
- (c) To interpret the provisions of the Plan and to make and publish such rules for regulation of the Plan as are not inconsistent with the terms hereof;
- (d) To make any adjustments in the allocations, to Accounts under the Plan necessary to comply with any provision of law; and
- (e) To advise, counsel and assist any Participant regarding any rights, benefits or elections available under the Plan.

The Administrative Committee shall also be responsible for preparing and filing such annual disclosure reports as may be required by law.

Whenever it is determined by the Administrative Committee to be in the best interest of the Plan and its Participants and Beneficiaries, the Administrative Committee may request such variances, deferrals, extensions, or exemptions or make such elections for the Plan as may be available under the law.

8.02 Allocation and Delegation of Responsibilities

The Administrative Committee may engage agents to assist in carrying out the Administrative Committee's functions hereunder.

8.03 Expenses and Compensation

The expenses necessary to administer the Plan and the expenses incurred by the Administrative Committee shall be paid by the Company.

8.04 Information from Company

The Company shall supply full and timely information to the Administrative Committee on all matters relating to the compensation of all Participants, their continuous regular employment, their retirement, death, disability or termination of employment, and such other pertinent facts as the Administrative Committee may require.

8.05 Administrative Committee; Signature

The signature of one member of the Administrative Committee may be accepted by any interested party as conclusive evidence that the Administrative Committee has duly authorized the action therein set forth. No person receiving documents or written instructions and acting in good faith and in reliance thereon shall be obliged to ascertain the validity of such action under the terms of this Agreement. The Administrative Committee shall act by a majority of its members at the time in office and such action may be taken either by a vote at a meeting or in writing without a meeting.

Article IX
PARTICIPANTS' RIGHTS

9.01 Disclosures

The Administrative Committee shall furnish at least every six (6) months each Participant or Beneficiary with a written statement, based on the latest available information, indicating the value of his or her Account. Upon termination of his or her status as a Director, a Participant is entitled to a written explanation of and accounting for his or her Account.

Upon termination of his or her status as a Director, a Participant is entitled to a written explanation of and accounting for his or her Account.

9.02 Filing a Claim for Benefits

A Participant or Beneficiary or the Company acting in his or her behalf shall notify the Administrative Committee of a claim for benefits under the Plan. Such request may be in any form acceptable to the Administrative Committee and shall set forth the basis of such claim and shall authorize the Administrative Committee to conduct such examinations as may be necessary to determine the validity of the claim and to take such steps as may be necessary to facilitate the payment of any benefits to which the Participant or Beneficiary may be entitled under the terms of the Plan.

9.03 Denial of a Claim

Whenever a claim for benefits by any Participant or Beneficiary has been denied, a written notice, prepared in a manner calculated to be understood by the Participant or Beneficiary must be provided, setting forth the specific reasons for the denial and explaining the procedure for an appeal and review of the decision by the Administrative Committee.

9.04 Limitation of Rights

Participation hereunder shall not grant any Participant the right to be retained as a member of the Board of Directors of the Company or any rights or interest other than those specifically herein set forth.

Article X
AMENDMENT AND TERMINATION

10.01 Amendment or Termination

The Company, by action of the Board, may at any time and from time to time amend or terminate this Plan in whole or in part (including retroactively). The Company shall not have the right to amend or terminate the Plan retroactively in such a manner as to deprive any Participant or Beneficiary of any benefit to which he or she was entitled under the Plan by reason of Deferrals prior to the amendment or termination.

10.02 Procedure Upon Termination of the Plan

Upon complete termination of the Plan, Participants' Accounts shall be paid at the form and time determined pursuant to Articles VI and VII; provided, however, that Participants' Accounts may, in the discretion of the Board, be distributed within the period beginning 12 months after the date the Plan was terminated and ending 24 months after the date the Plan was terminated (or, if earlier, pursuant to Articles VI or VII), in which case the Board shall terminate all account balance non-qualified deferred compensation plans with respect to all Directors and shall not adopt a new account balance non-qualified deferred compensation plan for Directors for at least five years after the date the Plan was terminated; provided, further, that the Board may terminate the Plan upon a corporate dissolution of the Company that is taxed under Section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. section 503(D)(1)(A), provided the Participants' Accounts are distributed and included in the gross income of the Participants by the later of (i) the year in which the Plan terminates, or (ii) the first calendar year in which distribution of Participants' Accounts is administratively practicable; provided, further, that the Board, in its discretion, may terminate the Plan 30 days prior to or 12 months following a "change in the ownership or effective control or a change in the ownership of a substantial portion of the assets" of the Company, as defined in regulations promulgated under Section 409A of the Code and distribute the Accounts of the Participants within the 12-month period following termination of the Plan, in which case the Board shall terminate all account balance non-qualified deferred compensation plans with respect to all Directors and shall not adopt a new account balance non-qualified plan for Directors for at least five years after the Plan was terminated.

Article XI
MISCELLANEOUS

11.01 Execution of Receipts and Releases

Any payment to any Participant or Beneficiary, in accordance with the provisions of this Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Plan, and the Administrative Committee may require such Participant or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefor in such form as the Administrative Committee shall determine.

11.02 Notice and Unclaimed Benefits

Each Participant and Beneficiary must file with the Company from time to time in writing his or her post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant or Beneficiary at his or her last post office address filed with the Company will be binding on the Participant and his or her Beneficiary for all purposes of the Plan. Neither the Company nor the Administrative Committee shall be obliged to search for or ascertain the whereabouts of any Participant or Beneficiary.

The Committee shall notify any Participant or Beneficiary when a distribution is required under the Plan. The Committee may also request the Social Security Administration to notify the Participant or Beneficiary in accordance with any procedures the Administration has established for this purpose. In the event that the Participant or Beneficiary shall fail to respond to any notice from the Committee, the amount in his or her Account shall be forfeited.

11.03 Non-Alienation of Benefits

Except in the case of a qualified domestic relations order, as defined in Code § 414(p):

- (a) No Participant or Beneficiary, and no creditor of a Participant or Beneficiary shall have any right to assign, pledge, sell, hypothecate, anticipate or in any way create a lien upon his or her benefits under the Plan by operation of law or otherwise, and any attempt to do so shall be void; nor shall any such benefits in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefits.
- (b) No interest in the Plan shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act or by operation of law or equity, or subject to attachment, execution, garnishment, sequestration, levy or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants and Beneficiaries.

11.04 Loans to Participants

A Participant may not receive a loan from the Plan of any portion of his or her Account.

11.05 Benefits Payable to Incompetents

Each individual receiving benefit payments under the Plan shall be conclusively presumed to have been legally competent until the date upon which the Administrative Committee shall have received written notice in the form and manner acceptable to it that such individual is an incompetent for whom a guardian or other person legally vested with his or her care shall have been appointed. From and after the date of receipt of such notice by Administrative Committee, all future benefit payments to which such individual is entitled under the Plan shall be payable to his or her guardian or other person legally vested with his or her care, until such time as the Administrative, Committee shall be furnished with evidence satisfactory to it that such individual is legally competent.

11.06 Applicable Law

This Plan shall be governed and construed under the laws of the State of California.

11.07 Headings as Guide

The headings of this Plan are inserted for convenience of reference only and are not to be considered in construction of the provisions hereof.

11.08 Pronouns

When necessary to the meaning hereof, either the masculine or the neuter pronoun shall be deemed to include the masculine, the feminine, and the neuter, and the singular shall be deemed to include the plural.

11.09 Reference to Laws

Any reference to any section or regulation under the Internal Revenue Code or to any other statute or law shall be deemed to include any successor law of similar import.

11.10 Participant's Rights Unsecured

The right of the Participant or his or her designated Beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Corporation, and neither the Participant nor his or her designated beneficiary shall have any rights in or against any amount credited to his or her Account or any other specific assets of the Corporation. All amounts credited to an Account shall constitute general assets of the Corporation and may be disposed of by the Corporation at such time and for such purposes as it may deem appropriate. An Account may not be encumbered or assigned by a Participant or any Beneficiary.

Executed at this 10th day of September, 2007.

COMPANY:

ABM INDUSTRIES INCORPORATED

By /s/ Erin M. Andre

Erin M. Andre

Senior Vice President — Human Resources

**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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 10, 2007

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 10, 2007

/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") for the quarter ended July 31, 2007, 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, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

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

September 10, 2007

/s/ Henrik C. Slipsager

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

September 10, 2007

/s/ George B. Sundby

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