SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10 Q

(Mark One)

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

For the quarterly period ended APRIL 30, 1997

OR

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

For the transition period from ________ to _________

Commission file Number 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE	94-1369354
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

50 FREMONT STREET, 26TH FLOOR, SAN FRANCISCO, CALIFORNIA 94105

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 597-4500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ----

Number of shares of Common Stock outstanding as of April 30, 1997: 20,140,935

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

ASSETS:	OCTOBER 31, 1996	APRIL 30, 1997 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,567	$ 1,498
Accounts receivable, net	183,716	191,300
Inventories	16,492	20,134
Deferred income taxes	11,684	13,254
Prepaid expenses and other current assets	20,296	22,396
Total current assets	233,755	248,582
INVESTMENTS AND LONG-TERM RECEIVABLES	15,941	15,753
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land and buildings	4,750	4,791
Transportation equipment	9,750	10,591
Machinery and other equipment	39,899	41,337
Leasehold improvements	8,202	8,941
	62,601	65,660
Less accumulated depreciation and amortization	(40,031)	(42,256)
Property, plant and equipment, net	22,570	23,404
INTANGIBLE ASSETS, NET	76,366	82,828
DEFERRED INCOME TAXES	22,046	23,086
OTHER ASSETS	9,092	8,690
	$ 379,770	$ 402,343

continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY:	OCTOBER 31, 1996	APRIL 30, 1997 (Unaudited)
CURRENT LIABILITIES:		
Current portion of long-term debt	$902	$1,384
Bank overdraft	4,935	8,209
Trade accounts payable	27,091	25,549
Income taxes payable	1,864	1,993
Accrued Liabilities:		
Compensation	27,862	29,766
Taxes - other than income	9,952	11,454
Insurance claims	23,256	24,516
Other	17,936	22,614
Total current liabilities	113,798	125,485
Long-Term Debt (less current portion)	33,664	23,076
Retirement plans	10,140	12,428
Insurance claims	51,475	54,032
Total Liabilities	209,077	215,021
SERIES B 8% SENIOR REDEEMABLE CUMULATIVE PREFERRED STOCK	6,400	6,400
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 500,000 shares authorized; none issued	-	-
Common stock, $.01 par value, 28,000,000 shares authorized; 19,489,000 and 20,140,000 shares issued and outstanding at October 31, 1996 and April 30, 1997, respectively	195	201
Additional capital	48,548	58,748
Retained earnings	115,550	121,973
Total stockholders' equity	164,293	180,922
	$379,770	$402,343

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands except per share amounts)

	THREE MONTHS ENDED APRIL 30		SIX MONTHS ENDED APRIL 30	
	1996	1997	1996	1997
REVENUES AND OTHER INCOME	$ 262,069	$ 294,309	$ 516,470	$ 585,947
EXPENSES:				
Operating Expenses and Cost of Goods Sold	226,779	253,255	447,236	506,006
Selling, General and Administrative	26,197	30,173	52,190	59,818
Interest	848	796	1,697	1,693
Total Expenses	253,824	284,224	501,123	567,517
INCOME BEFORE INCOME TAXES	8,245	10,085	15,347	18,430
INCOME TAXES	3,545	4,236	6,599	7,741
NET INCOME	$ 4,700	$ 5,849	$ 8,748	$ 10,689
EARNINGS PER COMMON SHARE	$ 0.23	$ 0.26	$ 0.43	$ 0.48
DIVIDENDS PER COMMON SHARE	$ 0.0875	$ 0.10	$ 0.175	$ 0.20
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	20,116	21,598	19,956	21,507

Per share amounts have been restated to retroactively reflect the two-for-one common stock split on July 15, 1996

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED APRIL 30, 1996 AND 1997
(In thousands)

	APRIL 30, 1996	APRIL 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 507,321	$ 583,433
Other operating cash receipts	1,068	748
Interest received	228	309
Cash paid to suppliers and employees	(493,391)	(553,546)
Interest paid	(1,934)	(1,889)
Income taxes paid	(9,191)	(10,222)
Net cash provided by operating Activities	4,101	18,833
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(6,136)	(5,102)
Proceeds from sale of assets	274	219
(Increase) decrease in investments and long-term receivable	(4,754)	188
Intangible assets acquired	(2,497)	(4,410)
Net cash used in investing activities	(13,113)	(9,105)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued	3,782	4,106
Dividends paid	(3,582)	(4,266)
Increase (Decrease) in cash overdraft	(3,234)	3,269
Increase in notes payable	-	482
Long-term borrowings	61,000	23,622
Repayments of long-term borrowings	(49,025)	(37,050)
Net cash provided by financing activities	8,941	(9,797)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(71)	(69)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	1,840	1,567
CASH AND CASH EQUIVALENTS END OF PERIOD	$ 1,769	$ 1,498

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED APRIL 30, 1996 AND 1997
(In thousands)

	APRIL 30, 1996	APRIL 30, 1997
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	$8,748	$10,689
Adjustments:		
Depreciation and amortization	6,608	7,614
Provision for bad debts	853	880
Gain on sale of assets	(187)	(13)
Deferred income taxes	(2,356)	(2,610)
Increase in accounts and other receivables	(8,208)	(5,040)
(Increase)decrease in inventories and Supplies	355	(3,306)
Increase in prepaid expenses	(1,926)	(2,019)
(Increase)decrease in other assets	(1,259)	402
Increase(decrease) in income taxes payable	(236)	129
Increase in retirement plans accrual	1,137	2,288
Increase in insurance claims liability	2,011	3,817
Increase(decrease) in accounts payable and other accrued liabilities	(1,439)	6,002
Total Adjustments to net income	(4,647)	8,144
Net Cash Provided by Operating Activities	$4,101	$18,833

ABM INDUSTRIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments, which are necessary to present fairly the Company's financial position as of April 30, 1997 and the results of operations, and cash flows for the six months then ended. These adjustments are of a normal, recurring nature.

These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10K filed for the fiscal year ended October 31, 1996 with the Securities and Exchange Commission.

2. EARNINGS PER SHARE

NET INCOME PER COMMON SHARE: Net income per common and common equivalent share, after the reduction for preferred stock dividends in the amount of $256,000 during the six months ended April 30, 1997, is based on the weighted average number of shares outstanding during the year and the common stock equivalents that have a dilutive effect. Net income per common share assuming full dilution is not significantly different than net income per share as reported.

On June 18, 1996, the Company's Board of Directors approved a two-for-one stock split, payable to shareholders of record as of the close of business on July 15, 1996. A total of 9,669,000 shares of common stock were issued in connection with the stock split. All share and per share amounts have been restated to retroactively reflect the common stock split.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. The Company has an unsecured revolving credit agreement with a syndicate of U.S. banks. This agreement has a $125 million line of credit expiring September 22, 1999. At the Company's option, the credit facility provides interest at the prime rate or IBOR+.45%. As of April 30, 1997, the total amount outstanding was approximately $83 million, which was comprised of loans in the amount of $18 million and standby letters of credit of $65 million. This agreement requires the Company to meet certain financial ratios and places some limitations on dividend payments and outside borrowing. The Company is prohibited from declaring or paying cash dividends exceeding 50% of its net income for any fiscal year. In February 1996, the Company entered into a loan agreement with a major U.S. bank which provided a seven-year term loan at a fixed interest rate of 6.78 %. Annual payments of principal and interest in varying amounts are due February 15, 1998 through February 15, 2003 on the remaining balance of $4,777,054. The Company also has a 9.35% note payable to an insurance company with a remaining amount of $1,272,000. Interest is payable monthly and principal amounts of $636,000 are due annually through October 1, 1998. The Company's effective interest rate for all borrowings for the six months ended April 30, 1997 was 6.9%.

At April 30, 1997, working capital was $123.1 million, as compared to $120.0 million at October 31, 1996.

EFFECT OF INFLATION

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

ENVIRONMENTAL MATTERS

The nature of the Company's operations, primarily services, would not ordinarily involve it in environmental contamination. However, the Company's operations are subject to various federal, state and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water and air, and the generation, handling, storage, transportation and disposal of waste and hazardous substances.

These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of the Company's operations, although historically they have not had a material adverse effect on the Company's financial position or its results of operations.

The Company is currently involved in three proceedings relating to environmental matters: one involving alleged potential groundwater contamination at a Company facility in Florida; one involving alleged soil contamination at a former Company facility in Arizona; and one involving a claim under Proposition 65 in California relating to an alleged failure to post statutory warning signs in Company operated parking garages. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse affect on the Company's financial position or its results of operations.

ACQUISITIONS AND DISPOSITIONS

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

Effective November 1, 1996, the Company acquired the operations and net assets of Sica Electrical and Maintenance Corp., of Ozone Park, New York. Sica Electrical and Maintenance Corp. is an electrical and lighting maintenance company which operates in the greater New York City metropolitan area, New Jersey, up-state New York, Pennsylvania, and Connecticut. In connection with this acquisition, the Company issued 348,323 of its common shares at the time of closing and will make additional payments in common shares over a five-year period based on the operating profits (income before taxes and interest) of the acquired business. A maximum of 348,323 common shares may be issued in connection with future payments. Effective November 1, 1996, the Company's earnings per common share calculation includes the 696,646 shares issued and to be issued under the contract with the sellers. The Company estimates that in fiscal 1997 this acquisition will contribute approximately $15 million in revenues.

Effective February 1, 1997, the Company acquired maintenance contracts and selected assets of SMK Corp. of Las Vegas (also known as DeLuca Building Maintenance), with customers located in Las Vegas, Nevada and the surrounding area. The Company estimates that in fiscal 1997 this acquisition will contribute approximately $1 million in revenues.

Effective March 1, 1997, the Company acquired HVAC (heating, ventilation, and air conditioning) customer contracts, assets and certain liabilities from Preferred Mechanical Services of Northridge, California. Most of the business acquired was in Southern California, plus a few contracts in Las Vegas, Nevada. The Company estimates that this acquisition will contribute approximately $4.3 million in revenues in fiscal year 1997.

Effective April 1, 1997, the Company acquired janitorial contracts and selected assets of Geoserv of Phoenix, Inc. and Janus, Inc., with customers in the metropolitan areas of Albuquerque, New Mexico, Phoenix and Tucson, Arizona. The Company estimates that in fiscal 1997 this acquisition will contribute approximately $3 million in revenues.

Effective May 1, 1997, the Company acquired the janitorial contracts and selected assets of Polaris, Inc., with customers in the metropolitan areas of Indianapolis, Indiana, and Columbus and Cincinnati, Ohio. The Company estimates that this acquisition will contribute approximately $1.9 million in revenues in fiscal year 1997.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of the Company. All information in the discussion and references to the years and quarters are based on the Company's fiscal year and second quarter which end on October 31 and April 30, respectively.

SIX MONTHS ENDED APRIL 30, 1997 VS. SIX MONTHS ENDED APRIL 30, 1996

Revenues and other income (hereafter called revenues) for the first six months of fiscal year 1997 were $586 million compared to $516 million in 1996, a 13% increase over the same period of the prior year. This growth was attributable to business and price increases as well as revenues generated from acquisitions. For the six months ended April 30, 1997, the increase in revenues relating to acquisitions made during fiscal years 1996 and 1997 was approximately $25 million on a total revenue increase of $69 million.

Net income for the first six months of 1997 was $10,689,000 an increase of 22%, compared to the net income of $8,748,000 for the first six months of 1996. Earnings per share rose 12% to 48 cents for the first six months of 1997 compared to 43 cents for the same period in 1996. The increase in earnings per share was not proportional to the increase in net income due to the increased average number of common and common equivalent shares outstanding. This improvement in earnings is primarily the result of increased revenues as well as control of costs in order to improve margins.

As a percentage of revenues, operating expenses and cost of goods sold decreased to 86.4% for the first six months of 1997 compared to 86.6% in 1996. Consequently, as a percentage of revenues, the Company's gross profit (revenue minus operating expenses and cost of goods sold) was 13.6% compared to the prior year's 13.4%. This improvement is partly attributable to increased sales without a corresponding increase in insurance costs during 1997.

Selling, general and administrative expense for the first six months of fiscal year 1997 was $59.8 million compared to $52.2 million for the corresponding six months of fiscal year 1996. As a percentage of revenues, selling, general and administrative expense increased slightly, from 10.1% for the six months ended April 30, 1996, to 10.2% for the same period in 1997 primarily due to increased selling expenses associated with national accounts and promotion of the ABM Family of Services, and to a lesser extent, expenses associated with acquisitions.

Interest expense was $1,693,000 for the first six months of fiscal year 1997, only slightly lower than the 1996 interest expense of $1,697,000, due to a small decrease in average interest rates compared to the prior year.

The pre-tax income for the first six months of 1997 was $18,430,000 compared to $15,347,000 in 1996, an increase of 20% over the corresponding period in 1996. The growth in pre-tax income outpaced the revenue growth for the first half of 1997 due primarily to lower operating expenses and cost of goods sold as a percentage of revenue, particularly in the Elevator and Lighting divisions.

The effective income tax rates for the first six months of fiscal years 1997 and 1996 were 42% and 43%, respectively. The lower rate in the current year reflects an expected increase in tax credits.

The Company's divisions (consisting of one or more subsidiaries of the Company), listed below, operate in three functionally oriented segments of the building services industry--Janitorial Divisions, Public Service Divisions and Technical Divisions.

JANITORIAL DIVISIONS	PUBLIC SERVICE DIVISIONS	TECHNICAL DIVISIONS
American Building Maintenance	American Commercial Security Services	ABM Engineering Services
Easterday Janitorial Supply	Ampco System Parking	Amtech Elevator Services
		Amtech Lighting Services
		CommAir Mechanical Services

The results of operations from the Company's three industry segments and its eight operating divisions for the six months ended April 30, 1997, as compared to the six months ended April 30, 1996, are more fully described below:

The Janitorial Divisions segment, which includes American Building Maintenance (also known as ABM Janitorial Services) and Easterday Janitorial Supply, accounted for approximately 56% of the Company's total revenues for the first half of the 1996 fiscal year. Revenues of this segment for the first six months of fiscal year 1997 were $330 million, an increase of approximately $43 million, or 15% over the first six months of fiscal 1996. The operating profits of this segment increased by 14% over the comparable period in 1996. Revenues of AMERICAN BUILDING MAINTENANCE increased 15% for the first six months of fiscal year 1997 compared to the same period in 1996, both as a result of acquisitions in the Midwest and Southwest Regions, and internal revenue growth throughout the majority of its regions. This Division's operating profits increased 14% when compared to the same period last year. The increase in operating profits is proportionate to the revenue increase, and is attributable to the revenue growth, as margins remained comparable. EASTERDAY JANITORIAL SUPPLY'S revenue for the first six months increased by approximately 12% compared to the same period in 1996 generally due to obtaining new customers, particularly in the metropolitan areas of Los Angeles and San Francisco, California, and Houston, Texas. Operating profits increased 23% due to the increase in sales volume at a higher gross margin percentage.

The Public Service Divisions segment, which includes Ampco System Parking and American Commercial Security Services (also known as "ACSS" and "ABM Security Services"), accounted for approximately 20% of the Company's revenues. Revenues of this segment for the first six months of 1997 were approximately $117 million, an 8% increase over the same period in fiscal year 1996. The operating profits of this segment increased by 7% as both its divisions posted higher profits when compared to the first six months of the prior year. AMPCO SYSTEM PARKING'S revenue increased by 5% and its profits increased 11% during the first six months of fiscal year 1997. The increase in revenues resulted primarily from increased airport business and new parking locations in the South Central and Northwest regions. The operating profit increase was due to increased sales and its airport operations, which reported higher profit margins. AMERICAN COMMERCIAL SECURITY reported an increase in revenues of 12% and its profits were up 2% in the first six months of 1997 compared to the same period of 1996. The revenue growth was largely due to the acquisition of CBM Industries in Minneapolis in May of 1996 and new business, particularly in the South Central and Southern California regions. The increase in operating income did not keep pace with the increase in revenues during the first six months of 1997 when compared to the same period in 1996, due to increased labor costs related to the acquisition, and an increase in overtime throughout the division.

The Company's Technical Services Divisions segment includes ABM Engineering Services, Amtech Elevator Services, Amtech Lighting Services and CommAir Mechanical Services. This segment reported revenues of $139 million, which represent approximately 24% of the Company's revenues for the first six months of fiscal year 1997. Revenues were up 15% compared to the same period last year, as revenues increased in all its divisions. Operating profit of this segment increased 56% compared to the first six months of fiscal year 1996 due to dramatic increases in the Elevator and Lighting divisions. ABM ENGINEERING'S revenues increased by 6% and it reported a 2% increase in operating profits the first six months of 1997 compared to the same period in 1996. Revenue increased in all its regions primarily as a result of sales to new customers. The increase in operating profits resulted from increased revenues, partially offset by a lower gross profit percentage on fixed price contracts and a slight increase in selling, general and administrative expenses as a percentage of revenues. Revenues for AMTECH ELEVATOR were up by 14% for the first six months of fiscal year 1997 compared to the same period in 1996 largely due to growth in its elevator service base, which also contributed to increased repair sales. The Division's operating profit nearly tripled for the first six months compared to the corresponding period in fiscal year 1996, primarily due to the absence of losses reported by its Mexican subsidiary in the prior year, and a decrease in insurance costs. As previously reported, the Mexican subsidiary was sold May 31, 1996. A decrease in selling, general and administrative expenses as a percentage of revenue also contributed to this impressive increase. AMTECH LIGHTING posted a 25% increase in revenues due primarily to the acquisition on November 1, 1996 as discussed. Operating profits more than doubled during the first six months of fiscal year 1997 primarily because of the acquisition, and a decrease in selling, general and administrative expenses as a percentage of revenue. Lower material costs also contributed to the significant increase in operating profit. COMMAIR MECHANICAL'S operating profits for the first six months of 1997 increased by 36%, on a revenue increase of 18%. Additional revenues resulted from an increase in construction project work as well as the acquisition of Preferred Mechanical Services as of March 1, 1997. The relatively higher increase in operating profits for the first six months of the current year was primarily a result of lower selling, general and administrative expenses as a percentage of revenue.

THREE MONTHS ENDED APRIL 30, 1997 VS. THREE MONTHS ENDED APRIL 30, 1996

Revenues and other income for the second quarter of fiscal year 1997 were $294 million compared to $262 million in 1996, a 12% increase over the same quarter of the prior year. This growth was attributable to volume and price increases as well as revenues generated from acquisitions.

Net income for the second quarter of 1997 was $5,849,000, an increase of 24%, compared to the net income of $4,700,000 for the second quarter of 1996. Earnings per share rose 13% to 26 cents for the second quarter of 1997 compared to 23 cents for the same period in 1996. The increase in earnings per share was not proportional to the increase in net income due to the increased average number of common and common equivalent shares outstanding. Cost controls coupled with revenue growth enabled the company to realize improved earnings.

Operating expenses and cost of goods sold as a percentage of revenues decreased from 86.5% for the second quarter of 1996 to 86.1% in 1997. Consequently, as a percentage of revenues, the Company's gross profit increased to 13.9% from the prior year's second quarter at 13.5% due to increased margins in several of its divisions.

Selling, general and administrative expenses for the second quarter of fiscal year 1997 were $30.2 million compared to $26.2 million in the second quarter of 1996, an increase of $4 million or 15%, compared to the corresponding period of fiscal year 1996. As a percentage of revenues, selling, general and administrative expense increased from 10.0% for the three months ended April 30, 1996, to 10.3% for the same period in 1997 due to increased selling expenses associated with national accounts and promotion of the ABM Family of Services.

Interest expense was $796,000 for the second quarter of fiscal year 1997 compared to $848,000 in 1996, a decrease of $52,000 or 6%, from the same period of the prior fiscal year. The decrease in interest expense for the comparable periods is due to lower average borrowings in 1997.

The effective income tax rate for the second three months of 1997 was 42% compared to 43% in 1996. The lower rate in the current quarter was due to an expected increase in tax credits.

The results of operations from the Company's three industry segments and its eight operating divisions for the three months ended April 30, 1997, as compared to the three months ended April 30, 1996, are more fully described below:

Revenues of the Janitorial Divisions segment for the second quarter of fiscal year 1997 were $164.8 million, an increase of approximately $18.8 million or 13%, over the second quarter of fiscal 1996, while its operating profits increased by 15% over the comparable quarter of 1996. Janitorial Divisions accounted for approximately 56% of the Company's revenues for the current quarter. AMERICAN BUILDING MAINTENANCE'S revenues increased 13% during the second quarter of fiscal year 1997 compared to the same quarter of 1996, due to revenue growth throughout the majority of its regions, particularly in the Southwest Region. The Division's operating profits increased 14% when compared to the same period last year. In comparison with the 13% revenue increase, a higher 14% increase in operating profits is due to lower insurance and selling, general and administrative expenses as a percentage of revenue. EASTERDAY JANITORIAL SUPPLY'S second quarter revenue increased by approximately 10% compared to the same quarter in 1996 generally due to an increase in new customers, particularly in the metropolitan areas of Los Angeles and San Francisco, California, and Houston, Texas. An increase of 24% in operating profits resulted from a higher sales volume at a higher gross margin percentage.

Revenues of the Public Services Divisions segment for the second quarter of 1997 were approximately $58.5 million, a 7% increase over the same quarter of fiscal year 1996. The Public Services Divisions segment accounted for approximately 20% of the Company's revenues. The operating profits of this segment were up by 24% due to increased operating profits of both its American Commercial Security Services and Ampco System Parking divisions. AMERICAN COMMERCIAL SECURITY reported an increase in revenues of 9% and its profits were up 7% in the second quarter of 1997 compared to the same period of 1996. The revenue growth was largely due to increased sales to several large customers, and new customers in its South Central and Southern California Regions. Benefits from revenue gains were partially offset by competitive market conditions that eroded the gross margins causing operating profits to grow a smaller percentage than sales. Higher selling, general and administrative expenses necessitated by the business growth also had a negative impact on the Division's profit. AMPCO SYSTEM PARKING'S revenues increased by 6% while its profits increased 35% during the second quarter of fiscal year 1997. The increase in revenues resulted primarily from increased airport parking business and new parking locations in the South Central and Northwest regions. The operating profit increase was due to increased sales and its airport operations, which reported higher profit margins.

The Company's Technical Divisions segment reported revenues of $70.8 million, which represent approximately 24% of the Company's revenues for the second quarter of fiscal year 1997, an increase of approximately 15% over the same quarter of last year. This segment's profit increased 51% for the second quarter of 1997 when compared to the second quarter of fiscal year 1996, with three divisions reporting substantial profit increases. ABM ENGINEERING'S revenues increased by 5% and it reported a 12% increase in operating profits the second quarter of 1997 compared to the same period in 1996. Revenue increases generally were due to gains in new business in most regions. The increase in operating profits resulted from increased revenues, an improved gross profit percentage and slightly lower selling, general and administrative expenses as a percentage of sales. Revenues for AMTECH ELEVATOR were up 13% for the second quarter of fiscal year 1997 compared to the same quarter of 1996, largely due to growth in its elevator service base, which also contributed to increased repair sales. The Elevator Division's operating profit for the second quarter of 1997 increased 74%

compared to the corresponding quarter of fiscal year 1996 primarily due the sale of its Mexican subsidiary, which had been reporting losses, and decreased insurance costs. A decrease in selling, general and administrative expenses as a percentage of revenue also contributed to this impressive increase. AMTECH LIGHTING reported an increase in revenues of 27%, due primarily to the acquisition mentioned previously. Operating profit nearly doubled compared to the same period of the prior year, primarily due to the acquisition. An increase in its gross margin percentage due to lower material costs also contributed to the significant increase in operating profit. COMMAIR MECHANICAL'S operating profits for the second quarter of 1997 increased by 75% on a revenue increase of 19%. Revenues increased during the second quarter of 1997 largely due to the acquisition on March 1, 1997. Profit increased as a result of higher sales with lower associated cost.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Stockholders.

a) The Annual Meeting of Stockholders was held on March 18, 1997.

b) The following directors nominated by management were elected by a vote of stockholders: Martinn H. Mandles, Sydney J. Rosenberg, Theodore Rosenberg and William W. Steele.

The following directors remained in office: Maryellen B. Cattani, Esq., John F. Egan, Luke S. Helms, Charles T. Horngren, Henry L. Kotkins, Jr., William E. Walsh.

c) Proposal 1 - Election of Directors

Nominee:	For	Against or Withheld	Abstentions	Broker Nonvotes
Martinn H. Mandles	15,764,477	143,069	0	0
Sydney J. Rosenberg	15,772,463	135,083	0	0
Theodore. Rosenberg	15,638,791	268,755	0	0
William W. Steele	15,773,087	134,459	0	0

d) Proposal 2 - Approval of the Company's Long-Term Senior Executive Stock Option Plan.

For: 10,521,101   Against: 3,527,855   Abstain: 549,891
Broker Nonvotes: 1,308,699

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 10.40 - 1996 ABM Industries Incorporated Long-Term Senior Executive Stock Option Plan

Exhibit 27.1 - Financial Data Schedule

(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended April 30, 1997.

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

June 13, 1997	/s/ David H. Hebble
- -------------	---
	Vice President, Principal Financial Officer

5
1,000

6-MOS
OCT-31-1997
APR-30-1997
1,498
0
191,300
0
20,134
248,582
65,660
42,256
402,343
125,485
0
0
6,400
201
180,721
402,343
585,947
585,947
506,006
506,006
0
0
1,693
18,430
7,741
10,689
0
0
0
10,689
0.20
0.20

EXHIBIT 10.40

ABM INDUSTRIES INCORPORATED
LONG-TERM SENIOR EXECUTIVE STOCK OPTION PLAN

EFFECTIVE DECEMBER 17, 1996

1. PURPOSE; DEFINITIONS

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

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

a. "Affiliate" or "Affiliates" means any and all subsidiary corporations or other entities controlled by the Company and designated by The Committee from time to time as such.

b. "Board" or "The Board" means the board of directors ("Directors") of the Company.

c. "Cause" means:

   (1) misconduct or any other willful or knowing violation of any Company policy or employment agreement,

   (2) unsatisfactory performance such that the Company notifies the Optionee of the Company's intention not to renew the Optionee's employment agreement with the Company,

   (3) a material breach by The Optionee of his or her duties as an employee which is committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and its affiliated companies (other than a breach arising from the failure of The Optionee to work as a result of incapacity due to physical or mental illness) and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or

   (4) the conviction of The Optionee of a felony that has been affirmed on appeal or as to which the period in which an appeal can be taken has lapsed.

d. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of The Plan, respectively.

e. "Code" or "The Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

f. "Commission" or "The Commission" means the Securities and Exchange Commission or any successor agency.

g. "Committee" or "The Committee" means the committee referred to in Section 2 of The Plan.

h. "Company" or "The Company" means ABM Industries Incorporated, a Delaware corporation.

i. "Disability" means the inability of The Optionee to perform his or her duties as an employee on an active full-time basis as a result of incapacity due to mental or physical illness which continues for more than ninety (90) days after the commencement of such incapacity, such incapacity to be determined by a physician selected by the Company or its insurers and acceptable to The Optionee or the Optionee's legal representative (such agreement as to acceptability not to be withheld unreasonably).

j. "Eligible Person" has the meaning stated in Section 4 of The Plan.

k. "Exchange Act" or "The Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

l. "Fair Market Value" means, as of any given date, the average of the highest and lowest reported trades of the Stock on the New York Stock Exchange Composite Tape for such date, or if there were no trades on such date, the average of the nearest trading day after such date. If there is no regular public trading market for such Stock, the Fair Market Value of the Stock shall be determined by The Committee in good faith.

m. "Non-Employee Director" shall mean a member of The Board who qualifies as a disinterested person as defined in Rule 16b-3, as promulgated by The Commission under The Exchange Act, or any successor definition adopted by The Commission, and also qualifies as an "outside director" for the purposes of Section 162(m) of The Code and the regulations promulgated thereunder.

n. "Optionee" shall mean any Eligible Person who has been granted Stock Options under The Plan.

p. "Plan" or "The Plan" means the ABM Industries Incorporated Long-Term Senior Executive 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 one million five hundred thousand (1,500,000). No individual shall be eligible to receive Stock Options to purchase more than 100,000 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) $20.00 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.

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

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

(1) in cash (by certified or bank check or such other instrument as the Company may accept),

(2) in the discretion of The Committee, in the form of unrestricted Stock already owned by The Optionee for six (6) months or more and based on the Fair Market Value of the Stock on the date the Stock Option is exercised,

(3) in any other form approved in the discretion of The Committee, or

(4) by any combination thereof.

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

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

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

(1) to a beneficiary designation satisfactory to The Committee, or

(2) by will or by the laws of descent and distribution.

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

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

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

(2) if termination occurs by Retirement or other "voluntary quit," such Stock Options shall terminate immediately; and

h. TERMINATION BY THE COMPANY FOR CAUSE. If The Optionee's employment is terminated by the Company for Cause prior to the vesting of a Stock Option, such Stock Options shall terminate immediately.

i. TERMINATION AFTER VESTING. If The Optionee's employment is terminated for any reason after a Stock Option has vested, such Stock Options shall be exercisable only within ninety (90) days of such termination,

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

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

k. INITIAL GRANTS. On December 17, 1996, The Committee granted the following Stock Options to the senior executives set forth below, in the share amounts and at the Vesting Prices and exercise prices indicated, subject to approval by the Stockholders of the Company on March 18, 1997:

Optionees	# of Options	Exercise Price*	Vesting Prices
William W. Steele	25,000	$20.00	$25.00
PRESIDENT & CEO OF THE	25,000	20.00	30.00
COMPANY	25,000	20.00	35.00
	25,000	20.00	40.00
Martinn H. Mandles	20,000	$20.00	$25.00
EXECUTIVE VICE PRESIDENT OF	20,000	20.00	30.00
THE COMPANY	20,000	20.00	35.00
	20,000	20.00	40.00

Jess E. Benton, III	15,000	$20.00	$25.00
SENIOR VICE PRESIDENT OF THE	15,000	20.00	30.00
COMPANY	15,000	20.00	35.00
	15,000	20.00	40.00
John F. Egan	15,000	$ 20.00	$25.00
VICE PRESIDENT OF THE	15,000	20.00	30.00
COMPANY & PRESIDENT OF THE	15,000	20.00	35.00
JANITORIAL SERVICES DIVISION	15,000	20.00	40.00
One (1) other Senior Executive	15,000	$ 20.00	$25.00
of the Company	15,000	20.00	30.00
	15,000	20.00	35.00
	15,000	20.00	40.00
Sixteen (16) other Senior	10,000	$20.00	$25.00
Executives of the Company	10,000	20.00	30.00
and/or its Affiliates (each)	10,000	20.00	35.00
	10,000	20.00	40.00
All twenty-one (21) of these	250,000	$20.00	$25.00
Senior Executives of the	250,000	20.00	30.00
Company and/or its Affiliates	250,000	20.00	35.00
as a Group	250,000	20.00	40.00

* for these and any other Options granted under The Plan, the Exercise Price shall be the greater of: (i) $20.00 per share, (ii) the Fair Market Value per share of Stock on the grant date of any such Options, or (iii) the Fair Market Value per share of Stock on the date of Stockholder approval of The Plan.

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:

(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 of 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

   (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.