

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1994

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

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 (IRS Employer Identification Number)
incorporation or organization)

50 FREMONT STREET, 26TH FLOOR, SAN FRANCISCO, CALIFORNIA 94105
(Address and zip code of principal executive offices)

TELEPHONE: (415) 597-4500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, \$.01 PAR VALUE	NEW YORK STOCK EXCHANGE AND PACIFIC STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE AND PACIFIC STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of December 31, 1994, nonaffiliates of the registrant beneficially owned shares of the registrant's common stock with an aggregate market value of \$157,833,044.

As of December 31, 1994, there were 9,095,176 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement to be used by the Company in connection with its 1995 Annual Meeting of Stockholders is incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS.

ABM Industries Incorporated is engaged in the business of providing commercial, industrial and institutional janitorial, window cleaning and building maintenance services. The Company is also engaged in the business of air conditioning, heating equipment, elevator and escalator installation, repair and servicing; lighting and outdoor signage installation and maintenance; parking facility operations; building security services; and janitorial supplies and equipment sales. Unless the context otherwise requires, the "Company" refers to ABM Industries Incorporated and subsidiaries.

The Company was incorporated in California in 1955 as the successor to a business founded in 1909. On April 2, 1985, the stockholders of the Company approved a reorganization in which the Company's state of incorporation was changed from California to Delaware effective March 19, 1985. The executive offices of the Company are located at 50 Fremont Street, Suite 2600, San Francisco, California 94105, and its telephone number is (415) 597-4500.

BUSINESS SEGMENT INFORMATION

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, Amtech Divisions and Other Divisions.

JANITORIAL DIVISIONS	AMTECH DIVISIONS	OTHER DIVISIONS
ABM Janitorial Services Easterday Janitorial Supply	ABM Engineering Services Amtech Elevator Services Amtech Lighting Services CommAir Mechanical Services	Ampco System Parking ASI Security Services

Additional information relating to the Company's three industry segments appears in Note 15 of Item 8, Financial Statements and Supplementary Data of this Form 10-K. The business activities of the Company's three industry segments and eight operating divisions, as they existed at October 31, 1994, are more fully described below.

JANITORIAL DIVISIONS

The Janitorial Divisions provide janitorial cleaning services as well as janitorial supplies and equipment to their customers. Operating from 90 offices throughout the United States and Canada, this segment accounted for approximately 59%, 57% and 54% of the Company's revenues in the fiscal years ended October 31, 1992, 1993 and 1994, respectively.

// ABM JANITORIAL SERVICES provides a wide range of basic janitorial services for a variety of structures and organizations, including office buildings, industrial factories, banks, department stores, theaters, warehouses, educational and health institutions and airport terminals. Services provided by ABM Janitorial Services include floor cleaning and finishing, wall and window washing, furniture polishing, rug cleaning, dusting, and other building cleaning services. This Division maintains 84 offices in 29 states, the District of Columbia and two Canadian provinces and operates under thousands of individually negotiated building maintenance contracts, the majority of which are obtained by competitive bidding. Generally, profit margins on maintenance contracts tend to be inversely proportional to the size of the contract. Although many of the Company's maintenance contracts are fixed price agreements, others contain clauses under which the customer agrees to reimburse the Company for the full amount of wages, payroll taxes, insurance premiums and other expenses plus a profit percentage. The majority of the Company's contracts are for one-year periods, contain automatic renewal clauses and are subject to termination at will by either party upon 30 to 90 days written notice.

// EASTERDAY JANITORIAL SUPPLY markets janitorial supplies and equipment through six sales offices located in San Francisco, Los Angeles and Sacramento, California; Portland, Oregon; Reno, Nevada; and Houston, Texas. Aside from sales to ABM Janitorial Services, which, in 1994, accounted for approximately 32% of Easterday Janitorial Supply's revenues, the principal customers for this division are industrial plants, schools, commercial buildings, industrial organizations, transportation terminals, theaters, hotels, department stores, restaurants, military establishments and janitorial service companies. Among the products sold are paper products, disinfectants, floor cleaners, polishes, glass cleaners, waxes and cleaning equipment. The products sold include a number of nationally advertised brands and, in large part, are manufactured by others. This Division manufactures certain cleaning agents and waxes which it sells, but its manufacturing operations are not significant in relation to Easterday Janitorial Supply as a whole.

AMTECH DIVISIONS

Amtech, through its four operating divisions, provides its customers with a wide range of engineering, elevator, lighting and mechanical services. The Company believes that the offering of such a wide range of services by an affiliated group provides its customers with an attractive alternative to obtaining the services of a larger number of unrelated individual subcontractors. A number of Amtech's service contracts are for one to three years and are generally renewed after expiration. Installation contracts are either individually negotiated or obtained through competitive bidding. The Amtech segment's primary market consists of retail and commercial businesses with multiple locations scattered over wide geographic areas. Examples of such customers include high-rise office buildings, bank and savings and loan branch systems, shopping centers, restaurant chains, service stations, supermarkets and drug, convenience and discount store chains.

Amtech operates from 48 offices located in Arizona, California, Colorado, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Nevada, New Jersey, New Mexico, Oregon, Texas, Washington, Washington, D.C., Wisconsin and Mexico. For the fiscal years ended October 31, 1992, 1993 and 1994, Amtech accounted for approximately 26%, 27% and 26%, respectively, of the Company's revenues.

Operations of the four Amtech Divisions during fiscal year 1994 are described below:

/ / ABM ENGINEERING SERVICES provides building owners and managers with staffs of on-site engineers to operate, maintain and repair electrical, mechanical, and plumbing systems within a facility. This service is primarily for high-rise office buildings, but customers also include schools, warehouses and factories. ABM Engineering Services maintains five offices, two of which are in California and one each in Seattle, Washington; Chicago, Illinois; and Phoenix, Arizona.

/ / AMTECH ELEVATOR SERVICES installs, maintains and repairs elevators and escalators in major metropolitan areas of California; Houston and Amarillo, Texas; Detroit, Michigan; Upper Marlboro and Baltimore, Maryland; Las Vegas, Nevada; Pennsauken, New Jersey; Atlanta, Georgia; Philadelphia, Pennsylvania; Denver, Colorado; Chicago, Illinois; and Washington, D.C. Amtech Elevator Services builds elevator units in Rosarito, Mexico, maintains sixteen offices and several parts warehouses and operates a fleet of radio-equipped service vehicles.

/ / AMTECH LIGHTING SERVICES provides relamping, fixture cleaning and periodic maintenance service to its customers. Amtech Lighting Services also repairs, services, designs and installs outdoor signage. This division maintains sixteen offices, six of which are located in California; and one office in each of Austin, Dallas, Houston and San Antonio, Texas; Phoenix, Arizona; Albuquerque, New Mexico; New Orleans, Louisiana; Atlanta, Georgia; and Tampa and Ft. Lauderdale, Florida.

/ / COMMAIR MECHANICAL SERVICES installs and services air conditioning and heating equipment and provides building engineering and energy management services to commercial, industrial and institutional facilities. CommAir Mechanical Services maintains eleven offices, ten of which are located in California, and one office in Phoenix, Arizona.

OTHER DIVISIONS

At October 31, 1994, operations of the Company's Other Divisions segment provided parking facility management services and business security and investigative services to their customers.

The Other Divisions operated from 39 offices which were located throughout the United States. For the fiscal years ended October 31, 1992, 1993 and 1994, the Other Divisions accounted for approximately 15%, 16% and 20%, respectively, of the Company's revenues.

The two Other Divisions are described below:

/ / AMPCO SYSTEM PARKING operates approximately 1,321 parking lots and garages which are either leased from or managed for third parties. Ampco System Parking currently has parking facilities in 23 states: Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Washington and Wisconsin.

/ / ASI SECURITY SERVICES provides special investigative and security consulting services and security guards to a wide range of businesses in the major metropolitan areas of San Francisco, San Diego and Los Angeles, California; Houston, Dallas/Fort Worth and San Antonio, Texas; Chicago, Illinois; Phoenix, Arizona; Seattle, Washington; and Portland, Oregon. Much like ABM Janitorial Services, the majority of this Division's

contracts are for one-year periods, contain automatic renewal clauses and are subject to termination at will by either party upon 30 to 90 days written notice.

TRADEMARKS

The Company believes that it owns or is licensed to use all corporate names, trade names, trademarks, service marks, copyrights, patents and trade secrets which are material to the Company's operations.

COMPETITION

The Company believes that each aspect of its business is highly competitive, and that such competition is based primarily on price and quality of service. The Company's competitors include a large number of regional and local companies located in major cities throughout the United States and Canada. While the majority of the Company's competitors in the janitorial and building maintenance business operate in a limited geographic area, the operating divisions of a few large, diversified companies compete with the Company on a national basis. In addition, a number of the Company's competitors do not operate under collective bargaining agreements with their employees. Generally, these nonunionized competitors are able to operate with lower labor and employee benefit costs, thus permitting them to more aggressively compete on the basis of price in geographic areas where the Company has union operations.

MARKETING AND SALES

The Company's marketing and sales efforts are conducted by its various divisions and regional offices. Sales, marketing and operations executives in each of the regional and some of the major branch offices participate directly in obtaining new customers and also service the existing ones. The broad geographical base of the Company's regional offices, along with its divisional personnel, enables the Company to provide a full range of building services, which are available individually or as a part of the Company's integrated services program.

The Company has a broad customer base including airports, apartment complexes, city centers, colleges and universities, financial institutions, industrial plants, office buildings, retail stores, shopping centers and theme parks. The Company estimates that no customer accounted for more than 5% of its revenues during the fiscal year ended October 31, 1994.

EMPLOYEES

The Company, through its various Divisions' subsidiaries and departments, employs approximately 42,000 persons, of whom about 2,600 are in sales, clerical, supervisory and executive positions. The balance of the employees are employed in various building maintenance functions including janitorial and building maintenance, parking, distribution and security guards. Approximately 17,800 employees are covered under collective bargaining agreements.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company as of January 1, 1995, are as follows:

NAME	AGE	PRINCIPAL OCCUPATIONS AND BUSINESS EXPERIENCE DURING PAST FIVE YEARS
William C. Banner	60	Vice President of the Company, and President of the Company's Security Division
J. E. Benton, III	54	Senior Vice President, Office of the President, since July 1994; Vice President of the Company from November 1977 to July 1994
Donna M. Dell	46	Vice President and Director of Human Resources since July 1994; Vice President and Counsel, Wells Fargo Bank, from February 1990 to June 1994
John F. Egan	58	Vice President of the Company, and President of the Company's Janitorial Services Division
David H. Hebble	59	Vice President and Chief Financial Officer
Harry H. Kahn	51	Vice President, General Counsel and Secretary
Hussain A. Khan	58	Controller and Chief Accounting Officer since March 1993; Controller from March 1983 to March 1993
Martinn H. Mandles	54	Executive Vice President and Chief Administrative Officer since November 1991; Vice President from October 1972 to November 1991
Sydney J. Rosenberg	80	Chairman of the Board; Chief Executive Officer from November 1991 to November 1994
Sherrill F. Sipes, Jr.	59	Senior Vice President, Office of the President, since July 1994; Vice President from May 1968 to July 1994
William W. Steele	58	Chief Executive Officer since November 1994; President since November 1991; Chief Operating Officer from November 1991 to November 1994; Executive Vice President and Chief Operating Officer from April 1988 to October 1991

ITEM 2. PROPERTIES.

The Company has sales, operations, warehouse and administrative facilities in 210 locations throughout the United States, Canada and Mexico. Fifteen of these facilities are owned by the Company and the remaining 195 are leased. At October 31, 1994, the real estate owned by the Company had an aggregate net book value of \$4,276,000 and was located in: San Francisco, Los Angeles and Fresno, California; Houston and Austin, Texas; Phoenix, Arizona; Seattle, Spokane and Tacoma, Washington; Portland, Oregon; Jacksonville and Tampa, Florida; Winnipeg, Manitoba, Canada; and Rosarito Beach, Baja, Mexico.

Rental payments under long and short-term lease agreements amounted to \$74,977,000 for the fiscal year ended October 31, 1994. Of this amount, \$60,369,000 in rental expense was attributable to the Company's Parking Division for the parking facilities that it operates and manages. The remaining rent expense was for equipment, vehicles, office and warehouse space.

ITEM 3. LEGAL PROCEEDINGS.

As previously reported, the Company and certain of its officers and directors were defendants in an action entitled ACS FINANCIAL, INC. ET AL. V. AMERICAN BUILDING MAINTENANCE INDUSTRIES, INC. filed on April 15, 1991 in the Los Angeles County Superior Court. That action arose from the unsuccessful efforts to buy out the Company in 1990. In February 1993, the Court approved a settlement between the plaintiffs and certain defendants, including the Company and its officers and directors named in the action. The nonsettling defendants, including Kidder, Peabody & Co. and General Electric Capital Corporation, challenged this settlement, but their petitions were subsequently denied on appeal.

On or about April 16, 1993, the nonsettling defendants, including Kidder, Peabody & Co. Incorporated, General Electric Capital Corporation, and G.E. Corporate Finance Group, Inc. (collectively, "Kidder/GE"), filed cross-complaints against the Company, certain members of its management, ABM Acquisition Corporation, a corporation organized by the proposed buy-out group ("ABMA"), and others. The cross-complaints alleged that the Company and its management were the alter egos of each other and of ABMA, and that this Company was liable to Kidder/GE for fees and expenses, and for certain indemnification obligations of ABMA to the nonsettling defendants in connection with the proposed buyout. The cross-complaint sought unspecified damages in amounts which they alleged to be not less than \$8 million, plus unspecified punitive damages and attorneys' fees. The Company believing the claims against it to be legally barred and totally without merit, contested them by filing demurrers to all of the causes of action against it. On July 16, 1993, the Superior Court sustained all of the Company's demurrers without leave to amend and granted the Company's motion to dismiss the cross-complaints against the Company. On September 13, 1993 Kidder/GE appealed the Superior Court's ruling.

On or about October 18, 1994, the parties to the cross-complaints settled that action, including the pending appeal, and agreed to a mutual release of all claims relating to the cross-complaints or the underlying action. As part of the settlement, certain of the individual defendants paid the cross-complaints the sum of \$60,000. The Company made no payments as part of its settlement and has no continuing liabilities in connection with these actions other than any claims for expense reimbursement by certain of its officers and directors under the Company's existing indemnification bylaws and agreements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION AND DIVIDENDS

The Company's common stock is listed on the New York Stock Exchange and Pacific Stock Exchange. The Company's credit agreement places certain limitations on dividend payments based on net income (see note 5.b to the consolidated financial statements). The following table sets forth the high and low prices of the Company's common stock and quarterly cash dividends on common shares for the periods indicated:

	FISCAL QUARTER				YEAR
	FIRST	SECOND	THIRD	FOURTH	

1993					
Price range of common stock:					
High	\$20	\$21 5/8	\$21	\$17	
Low	\$17 1/4	\$18	\$16 1/2	\$14 3/4	
Dividends per share	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.125	\$ 0.50
1994					
Price range of common stock:					
High	\$19 1/4	\$19	\$23 5/8	\$23	
Low	\$16 1/8	\$17 1/8	\$17 3/4	\$19 7/8	
Dividends per share	\$ 0.125	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.515

At December 31, 1994, there were approximately 3,600 holders of the Company's common stock.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements for each of the years in the five-year period ended October 31, 1994:

(in thousands, except per share amounts and ratios)	1990	1991	1992	1993	1994
OPERATIONS					
Revenues and other income	\$ 679,128	\$ 745,721	\$ 760,097	\$ 773,312	\$ 884,633
Expenses					
Operating expenses and cost of goods sold	579,284	632,792	643,346	658,503	760,056
Selling and administrative	86,638	91,230	94,273	92,403	96,059
Interest	2,667	3,121	2,061	2,164	3,459
	668,589	727,143	739,680	753,070	859,574
Income before income taxes and extraordinary gain	10,539	18,578	20,417	20,242	25,059
Income taxes	4,237	7,478	8,425	7,596	9,890
Income before extraordinary gain	6,302	11,100	11,992	12,646	15,169
Extraordinary gain (net of income taxes of \$1,047)	1,387	--	--	--	--
Net income	\$ 7,689	\$ 11,100	\$ 11,992	\$ 12,646	\$ 15,169
Income per common share before extraordinary gain					
Income per common share before extraordinary gain	\$ 0.80	\$ 1.36	\$ 1.43	\$ 1.45	\$ 1.65
Extraordinary gain per common share	0.17	--	--	--	--
Net income per common share	\$ 0.97	\$ 1.36	\$ 1.43	\$ 1.45	\$ 1.65
Common and common equivalent shares	7,950	8,146	8,397	8,646	8,908
FINANCIAL STATISTICS					
Dividends per common share	\$ 0.47	\$ 0.473	\$ 0.49	\$ 0.50	\$ 0.515
Stockholders' equity per common share	\$ 9.57	\$ 10.53	\$ 11.54	\$ 12.55	\$ 13.74
Working capital	\$ 67,356	\$ 62,905	\$ 76,484	\$ 76,613	\$ 90,165
Current ratio	2.01	1.79	2.00	1.85	1.91
Long-term debt	\$ 20,005	\$ 9,477	\$ 15,435	\$ 20,937	\$ 25,254
Redeemable cumulative preferred stock	\$ --	\$ --	\$ --	\$ 6,400	\$ 6,400
Stockholders' equity	\$ 76,942	\$ 86,938	\$ 98,209	\$ 110,188	\$ 124,331
Total assets	\$ 199,080	\$ 209,036	\$ 223,724	\$ 268,140	\$ 299,470
Property, plant and equipment -- net	\$ 16,215	\$ 15,595	\$ 15,009	\$ 17,043	\$ 19,819
Capital expenditures	\$ 6,102	\$ 5,647	\$ 5,225	\$ 6,187	\$ 8,539
Depreciation and amortization	\$ 7,019	\$ 6,970	\$ 6,634	\$ 7,158	\$ 9,300
Accounts receivable -- net	\$ 108,664	\$ 110,472	\$ 120,885	\$ 127,908	\$ 140,788

All share and per share amounts have been restated to retroactively reflect the two-for-one stock split in 1992.

ITEM 7. 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, acquisitions and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. Prior to September 22, 1994, the Company had short-term and long-term lines of credit totaling \$33,000,000. These lines were canceled as of September 22, 1994, in conjunction with the signing of a new unsecured revolving credit agreement with a syndicate of U.S. banks. This agreement expires September 22, 1998, and at the Company's option, may be extended one year. The credit facility provides, at the Company's option, interest at the prime rate or IBOR+.45%. As of October 31, 1994, the total amount outstanding under this facility was approximately \$72 million which was comprised of loans in the amount of \$23 million and standby letters of credit of \$49 million. The interest rate at October 31, 1994 was 6.3%. 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 connection with the acquisition of System Parking, as discussed in Note 12 of the Consolidated Financial Statements, the Company assumed a note payable in the amount of \$3,818,000. Interest on this note is payable at an annual rate of 9.35%, with principal amounts of \$636,000 due annually through October 1, 1998. At October 31, 1994, the balance remaining on this note was \$2,545,000.

At October 31, 1993, working capital was \$76.6 million, as compared to \$90.2 million at October 31, 1994.

Cost of acquisitions during the fiscal years ended October 31, 1992, 1993, and 1994 (hereinafter referred to as 1992, 1993 and 1994, respectively), including payments pursuant to contractual arrangements involved in prior acquisitions, were approximately \$3.3 million, \$24.1 million, and \$7.1 million, respectively. Capital expenditures, including assets acquired for cash through acquisitions, during 1992, 1993, and 1994 were \$5.2 million, \$6.2 million, and \$8.5 million, respectively. Cash dividends paid to stockholders of common stock were approximately \$4.1 million in 1992, \$4.3 million in 1993, and \$4.6 million in 1994. In 1994, the Company paid preferred stock dividends of \$512,000.

EFFECT OF INFLATION

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

ENVIRONMENTAL MATTERS

In the opinion of management, compliance with present environmental protection laws will not have a material adverse effect on the financial position of the Company. The Company endeavors to comply with all the environmental regulations.

ACQUISITIONS

On March 1, 1994, the Company's Janitorial Services Division acquired the operations of General Maintenance Service Company, Inc. in Washington, D.C. General Maintenance provides janitorial services to major commercial buildings and institutions in Washington, D.C., Maryland, and Virginia. At the time of acquisition by the Company, General Maintenance reported annual revenues of approximately \$18.9 million. In addition to the amount paid at closing, annual contingent payments based upon gross profit of acquired contracts will be made over the next five years.

Effective November 1, 1994, the Company's Janitorial Services Division acquired substantially all of the maintenance services contracts from Quality Building Maintenance, Inc. of Seattle. This acquisition is expected to add approximately \$3.5 million in annual revenues for the Division's Northwest Region in Seattle.

As of January 1, 1995, the Company's Parking Division acquired the parking operations of Pansini Corporation for a cash downpayment made at the time of the closing plus annual contingent payments based upon gross profit of acquired contracts to be made over a five-year period. The parking contracts obtained as a result of this acquisition are expected to add approximately 100 facilities in California and Hawaii and approximately \$10 million in annual revenues.

In addition, purchase agreements of prior acquisitions provide for contingent payments based on the annual pretax income for periods subsequent to acquisition ranging from two to five years.

RESULTS OF OPERATIONS

COMPARISON OF 1993 TO 1994

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto. All information in the discussion and references to the years are based on the Company's fiscal year which ends on October 31.

Revenues and other income (hereinafter called "revenues") rose to record levels totaling \$885 million in 1994, up \$112 million, or 14%, from the prior year revenues of \$773 million. The 14% increase in revenues in 1994 over 1993 was attributable to volume and price increases as well as revenues generated from acquisitions. Net income for 1994 was \$15.2 million, a 21% increase compared to \$12.6 million in 1993. Earnings per share increased 14% to \$1.65 in 1994 from \$1.45 in 1993. Operating expenses and cost of goods sold expressed as a percentage of revenues were 85.2% in 1993 and 85.9% in 1994. The increase in operating expenses and cost of goods sold from \$659 million in 1993 to \$760 million in 1994 was \$101 million, or 15%. As a result of this increase, the Company's gross profit (revenues minus operating expenses and cost of goods sold) percentage declined although the gross profit amount for 1994 exceeded 1993's gross profit by approximately \$9.8 million. The gross profit amount increase resulting from higher revenues more than offset the impact of a lower gross profit percentage in 1994. The gross profit percentage was unfavorably impacted by intense competition and pricing pressures experienced by some of the operating divisions of the Company, as well as the impact from certain larger Ampco System Parking Division contracts whose gross profit percentage is much lower. The Company's total insurance expense increased 7% to \$45 million in 1994 from \$42.1 million in 1993. The increase in insurance expense was lower than the 14% revenue growth in 1994 over 1993. The Company's safety program impacted the frequency and severity of workers' compensation claims which led to a reduction in claims expense. This expense decrease was more than offset by an escalating dollar value of liability claims, leading to the overall increase in insurance expense.

Selling and administrative expenses were \$96.1 million in 1994, up \$3.7 million, or 4% from \$92.4 million in 1993. As a percentage of revenues, these expenses were down to 11% in 1994 from 12% in 1993. Management was successful in attaining its cost containment goals as revenues grew 14% while selling and administrative expense growth was only 4%.

Higher debt levels during 1994 caused the interest expense in 1994 to be \$3.5 million as compared with \$2.2 million in 1993, an increase of \$1.3 million, or 59%. The increase in bank borrowing was necessitated primarily by acquisitions.

The effective income tax rates for 1994 and 1993 were 39.5% and 37.5%, respectively. The effective income tax rate for 1994 would be comparable to 1993 after taking into account the decrease in income tax expense for 1993 of \$540,000 arising from the effect of the Omnibus Budget Reconciliation Act of 1993's federal income tax rate change on the Company's deferred taxes as calculated under Statement of Financial Accounting Standards No. 109.

The Company's pre-tax income in 1994 was \$25.1 million, an increase of 24%, compared to \$20.2 million in 1993. The growth in pre-tax income outpaced the revenue growth in 1994 due primarily to benefits arising from the realization of certain operating consolidation economies from recent acquisitions and, in part, due to lower selling and administrative expenses resulting from cost containment programs.

The results of operations from the Company's three industry segments and its operating divisions for 1994 as compared to 1993 are more fully described below:

Revenues for the Janitorial Divisions segment in 1994 were \$482 million, an increase of \$39 million, or 9% over 1993, while its operating profits (revenues minus total expenses) increased by 13% over 1993. The Janitorial Divisions segment accounted for approximately 54% of the Company's consolidated revenues for 1994. Revenue of ABM Janitorial Services increased by 9% in 1994 as compared to 1993 primarily as a result of acquisitions and, to a lesser extent, revenue increases from internal growth by this Division's Northeast, Northwest, and Southeast Regions. As a result of the revenue increase, ABM Janitorial Services' operating profits increased 13% in 1994 compared to 1993. Continued decreases in labor and labor-related expenses contributed to an improvement in gross profit for this Division in 1994 over the prior year. The Division's selling and administrative expenses were in line with its revenue growth. Easterday Janitorial Supply's revenues for 1994 were up approximately 9% compared to 1993 generally due to revenue increases in Northern California from obtaining several large customers. In 1994, compared to 1993, an increase of 12% in operating profits was attained even with a lower than expected gross profit percentage as a result of higher sales volume and a reduction in selling and administrative expenses.

The Amtech Divisions segment reported revenues of \$229 million, which represent approximately 26% of the Company's consolidated revenues for 1994, an increase of approximately 9% over last year. Profit of the Amtech Divisions increased 19% compared to 1993. CommAir Mechanical Services' revenues for 1994 were 5% above a year-ago levels, primarily due to construction revenues which more than offset the decline in service maintenance revenues which management anticipates will improve during 1995. Operating profits of this Division were up 15% largely due to the start and completion of a large installation contract during the fourth quarter of 1994 and a reduction in selling and administrative expenses. Amtech Lighting Services' revenues were up 10% largely due to an expanded contract base from existing customers, as well as obtaining a large one-time energy saving retrofit contract. Operating profits decreased by 3% during 1994 primarily due to start-up administrative expenses and lower than expected gross margins associated with the opening of three new branches. Revenues for Amtech Elevator Services were up by 8% for 1994 over 1993 principally due to increases in its service, repair, and installation lines of business, as well as an improved performance by its Mexican subsidiary. Amtech Elevator's operating profits for 1994 compared to 1993 were up by 45% due to a combination of increased revenues, improved gross profit, and containment of selling and administrative expenses. ABM Engineering Services reported increased revenues of 12% and a 45% increase in operating profits for 1994 compared to 1993. Revenue increases generally were recorded by all its regions due to geographic expansion and penetration into new markets. The increase in operating profits continues to result from increased volume, reductions in payroll related costs including insurance expense, and containment of selling and administrative expenses.

Revenues from the Other Divisions segment for 1994 were \$174 million, a 44% increase over 1993. The Company's Other Divisions accounted for approximately 20% of the Company's consolidated revenues. The operating profits of these Divisions were up by 35% principally due to acquisitions and new contracts obtained by Ampco System Parking. Ampco System Parking's revenues increased by 93% and its profits increased by 78% in 1994 over 1993. The increases in revenues and operating profits were primarily due to the acquisition of System Parking and from obtaining contracts to manage parking operations at several major airports in the U.S., including Buffalo, Cedar Rapids, Honolulu, Los Angeles, and Newark, among others. Since some of the airport contracts were obtained in the fourth quarter of the fiscal year 1994, management expects to realize full year benefits from these contracts during the fiscal year 1995. ASI Security Services reported a slight decrease in revenues from loss of certain large accounts and its profits increased by 8% in 1994 compared to 1993. The increase in operating income in 1994 as compared to the prior year was due to a decrease in direct labor and related expenses and a decrease in selling and administrative expenses which resulted from this Division's cost cutting measures.

COMPARISON OF 1992 TO 1993

For the fiscal year ended October 31, 1993, the Company posted consolidated revenues and other income of \$773 million, an increase of \$13 million, or 2%, over \$760 million reported for 1992. This increase in revenues was primarily due to both volume and price increases. Net income for 1993 was \$12,646,000, a five percent increase compared to \$11,992,000 in 1992. Earnings per share increased by one percent to \$1.45 in 1993 from \$1.43 in 1992. Net income for the fiscal year 1992 included a \$1,380,000 or \$0.17 per share, gain on the sale of real estate, without which the Company's 1993 net income and earnings per share exceeded 1992 by 19% and 15%, respectively. Operating expenses and cost of goods sold were \$659 million in 1993 as compared with \$643 million in 1992, an increase of \$16 million, or 2%. Without taking into account a pre-tax gain of approximately \$2.4 million which arose from the sale of real estate in 1992, operating expenses and cost of goods sold were slightly higher at 85.2% of revenues in 1993 compared with 84.9% for the prior year. As a result, gross profit as a percent of revenues declined from 15.1% in 1992 to 14.8% in 1993. The erosion of gross profit margin was primarily due to an increase of approximately \$1.6 million in self-insurance expense, nearly all of which was due to an increase in workers' compensation costs. Increases in labor and labor-related expenses also adversely impacted the margins as the Company was not able to pass on these increases, along with the insurance expense increase, to its customers due to competitive pricing imposed by economic conditions.

Selling and administrative expenses were \$92.4 million in 1993 and \$94.3 million in 1992, a decrease of \$1.9 million, or 2%. Selling and administrative expenses also declined as a percentage of revenues from 12.4% in 1992 to 12% in 1993. The decrease in selling and administrative expenses was primarily due to a combination of several factors which included the effectiveness of management's commitment to cost control programs, reduction of legal

expenses and settlements, and benefits realized from the reduction in expenses through consolidation of certain regional management.

Interest expense was \$2,164,000 in 1993 compared to \$2,061,000 in 1992, an increase of \$103,000, or 5%. This increase was principally due to higher bank borrowings towards the end of the fiscal year 1993 and the assumption of a note payable both of which were necessitated by the System Parking acquisition made on September 1, 1993.

The Company adopted Statement of Financial Accounting Standards No. 109 (Statement 109), "Accounting for Income Taxes" during its fiscal year ended October 31, 1993 and applied the provisions of Statement 109 retroactively to November 1, 1988. The cumulative impact of Statement 109 for the fiscal years through 1990 was a charge of \$2,616,000 to retained earnings and was reflected as a decrease to retained earnings at October 31, 1990.

The effective income tax rate for 1993 was 37.5% compared to 41.3% in 1992. Primarily, this was due to the effect of the Omnibus Budget Reconciliation Act of 1993's federal income tax rate change on the Company's deferred taxes as calculated under Statement 109, which was approximately a \$540,000 decrease to income tax expense. To a lesser extent, the lower rate was also due to a reduction in the nondeductible expense component of the Company's tax provision.

The results of operations for the Company's three industry segments and its operating divisions for the fiscal year 1993 as compared to 1992 are more fully discussed below:

Revenues of the Janitorial Divisions segment were \$442 million in the fiscal year 1993, down \$3 million or less than 1%, from \$445 million reported for the prior fiscal year. Operating profits of this segment decreased by 3%. The two Janitorial Divisions accounted for approximately 57% of the Company's revenues for 1993. For the fiscal year 1993, ABM Janitorial Services' revenues were 1% below the prior year while its operating profits declined by 4% in 1993. The decrease in revenues was generally due to the loss of certain major contracts, as well as stiff competition in several of the larger metropolitan areas. Partially offsetting this loss of revenues were revenues increases from acquisitions made late in the fiscal year 1993. Operating profits of ABM Janitorial Services were adversely impacted by increased bad debt expense in 1993 and from gross margin contributions lost from certain larger contracts. The decrease in operating profits was partially offset by this Division's continued efforts to manage labor and related expenses more effectively. Easterday Janitorial Supply reported a 5% increase in sales and a 22% increase in operating profits for 1993 over 1992. The increase in revenues, as well as the improvement in its operating profits, were primarily due to income derived from this Division's initiation of a wholesale distributor program at the beginning of the 1992 fiscal year, and to a lesser extent, its more favorable purchasing arrangements made with suppliers.

Revenues for the Amtech Divisions in 1993 increased to \$210 million, or 5%, over revenues generated in 1992 of \$199 million. The four Amtech Divisions accounted for approximately 27% of the Company's consolidated revenues in 1993. The revenue increase was largely due to both volume and price increases. Operating profits of the Amtech Divisions were significantly higher in 1993 than the prior year primarily due to a turnaround by Amtech Elevator Services, a continued improvement by Amtech Lighting Services, and somewhat offset by the profit decline of CommAir Mechanical Services. Amtech Elevator Services' revenues for 1993 were 2% higher than the prior year, and it returned to profitability from an operating loss reported a year earlier. This Division's profits resulted from management's commitment to reduce operating expenses by stringent cost controls and procedures implemented for effective job management. Additionally, Amtech Elevator Services benefited from not incurring certain expenses in 1993 such as the settlement of a lawsuit and higher bad debt expenses which negatively impacted the earnings in 1992. Although revenues for ABM Engineering Services increased by 6%, operating profits were flat for 1993 compared with 1992. The increase in revenues in 1993 was a result of both volume and price increases. As a percentage of revenues, a small decline in gross profit was principally due to increases in direct labor and labor-related expenses. Selling and administrative expenses were also up due to higher bad debt expense and costs associated with opening a new branch. Amtech Lighting Services' profits rose 33% on a revenue increase of 26% in 1993 when compared with the prior year. The increase in revenues was largely attributable to a continued growth of the service contract base, obtaining additional energy conservation retrofit contracts, and the opening of new branches in Atlanta and Tampa. Increased operating profits were primarily due to the increased sales volume, and as a percentage of revenues, the selling and administrative expenses were lower in 1993 as compared to 1992. This decrease was primarily attributable to management's efforts to control expenses. CommAir Mechanical Services' revenues and operating profits declined by 13% and 43%,

respectively, for the fiscal year 1993 when compared to 1992, primarily due to competitive pricing pressure caused by weak economic conditions in California, as well as the loss of a major customer early in 1993. With a significant drop in revenues, the Division was unable to maintain operating margins to cover various fixed expenses. However, this Division made additional cutbacks in selling and administrative expenses to mitigate a further decline in operating profits.

In 1993, the Other Divisions segment accounted for \$121 million, or approximately 16%, of the Company's consolidated revenues. This segment's revenues increased by approximately \$9 million in 1993 over the prior year, while its operating profits declined by 3% as the two divisions of this segment posted lower operating profits. Although Ampco System Parking's revenues increased by 22% primarily due to acquisitions of Metro Parking and System Parking effective January 1, 1993 and September 1, 1993, respectively, the operating profits declined by 5% for 1993 compared to 1992. Operating profits were down primarily due to depressed economic conditions especially in this Division's Southern California and Northwest Regions. High office vacancy conditions created by the economic slowdown and severe competition in the metropolitan areas of these regions had substantially increased the vacancy of parking spaces, thus depressing the Division's profits. Partially offsetting the decline in this Division's operating profits was the inclusion of the Metro Parking business acquired in Northern California and the two month's operations of System Parking. Revenues for ASI Security Services for 1993 decreased by 3% compared to the prior year, primarily due to the loss of a major customer in its South Central Region and the sale of its New York City branch. The operating profits of this Division also declined in 1993 as a result of increases in direct labor and labor-related expenses over 1992 which could not successfully be passed on to the customer due primarily to competitive market conditions. Pricing pressures have caused the Division to reduce its gross margins in order to retain jobs and also bid new jobs at lower margins. Selling and administrative expenses decreased due largely to cost reduction programs implemented by management to help offset the pressure placed on margins by market conditions.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
ABM Industries Incorporated:

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and Subsidiaries as of October 31, 1993 and 1994, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 1994. In connection with our audits of the consolidated financial statements, we also have audited consolidated financial statement schedule VIII. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the financial statement schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABM Industries Incorporated and Subsidiaries as of October 31, 1993 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1994, in conformity with generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule VIII, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

San Francisco, California
December 19, 1994

CONSOLIDATED BALANCE SHEETS

OCTOBER 31 (in thousands of dollars)	1993	1994
ASSETS		
Cash and cash equivalents	\$ 1,688	\$ 7,368
Accounts receivable (less allowances of \$4,101 and \$4,067)	127,908	140,788
Inventories and supplies	16,288	17,420
Deferred income taxes	10,960	11,638
Prepaid expenses	10,089	12,228
Total current assets	166,933	189,442
Investments and long-term receivables	7,129	6,841
Property, plant and equipment -- at cost	50,838	56,902
Less accumulated depreciation and amortization	(33,795)	(37,083)
Property, plant and equipment -- net	17,043	19,819
Intangible assets:		
Goodwill (less accumulated amortization of \$7,598 and \$9,265)	50,081	51,590
Other	7,704	9,783
Deferred income taxes	13,307	14,982
Other assets	5,943	7,013
	\$ 268,140	\$ 299,470
LIABILITIES		
Current portion of long-term debt	\$ 682	\$ 683
Bank overdraft	4,231	--
Trade accounts payable	17,863	26,187
Income taxes payable	3,203	1,961
Accrued liabilities:		
Compensation	16,695	19,807
Taxes -- other than income	8,474	8,693
Insurance claims	25,608	27,185
Other	13,564	14,761
Total current liabilities	90,320	99,277
Long-term debt	20,937	25,254
Retirement plans	4,574	5,978
Insurance claims	35,721	38,230
Commitments and contingencies	--	--
Series B 8% Senior redeemable cumulative preferred stock	6,400	6,400
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 500,000 shares authorized; none issued	--	--
Common stock, \$.01 par value; 12,000,000 shares authorized; 8,778,000 and 9,049,000 shares issued and outstanding in 1993 and 1994, respectively	88	90
Additional capital	31,244	35,334
Retained earnings	78,856	88,907
Total stockholders' equity	110,188	124,331
	\$ 268,140	\$ 299,470

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

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED OCTOBER 31 (in thousands, except per share amounts)	1992	1993	1994
REVENUES AND OTHER INCOME	\$ 760,097	\$ 773,312	\$ 884,633
EXPENSES			
Operating expenses and cost of goods sold	643,346	658,503	760,056
Selling and administrative	94,273	92,403	96,059
Interest	2,061	2,164	3,459
	739,680	753,070	859,574
Income before income taxes	20,417	20,242	25,059
Income taxes	8,425	7,596	9,890
NET INCOME	\$ 11,992	\$ 12,646	\$ 15,169
NET INCOME PER COMMON SHARE	\$ 1.43	\$ 1.45	\$ 1.65
COMMON AND COMMON EQUIVALENT SHARES	8,397	8,646	8,908

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED OCTOBER 31, 1992, 1993 AND 1994 (in thousands, except per share amounts)	COMMON STOCK		ADDITIONAL CAPITAL	RETAINED EARNINGS
	SHARES	AMOUNT		
BALANCE OCTOBER 31, 1991	4,130	41	24,126	62,771
Net income				11,992
Dividends (\$0.49 per common share)				(4,127)
Two-for-one stock split	4,227	42	(42)	
Stock issued under employees' stock purchase and option plans	157	2	3,404	
BALANCE OCTOBER 31, 1992	8,514	85	27,488	70,636
Net income				12,646
Dividends:				
Common stock at \$0.50 per share				(4,339)
Preferred stock at \$13.56 per share				(87)
Stock issued under employees' stock purchase and option plans	264	3	3,756	
BALANCE OCTOBER 31, 1993	8,778	88	31,244	78,856
Net income				15,169
Dividends:				
Common stock at \$0.515 per share				(4,606)
Preferred stock at \$80.00 per share				(512)
Stock issued under employees' stock purchase and option plans	271	2	4,090	
BALANCE OCTOBER 31, 1994	9,049	90	35,334	88,907

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31 (in thousands of dollars)	1992	1993	1994
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 745,223	\$ 766,610	\$ 868,041
Other operating cash receipts	693	2,334	1,638
Interest received	637	634	505
Cash paid to suppliers and employees	(730,708)	(739,819)	(830,861)
Interest paid	(2,060)	(2,689)	(3,982)
Income taxes paid	(8,853)	(9,825)	(13,485)
Net cash provided by operating activities	4,932	17,245	21,856
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(5,225)	(6,187)	(8,539)
Proceeds from sale of assets	1,614	320	162
(Increase) decrease in investments and long-term receivables	(488)	1,071	288
Intangibles resulting from acquisitions	(3,328)	(17,694)	(7,148)
Net cash used in investing activities	(7,427)	(22,490)	(15,237)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Common stock issued	3,406	3,759	4,092
Dividends paid	(4,127)	(4,426)	(5,118)
Increase (decrease) in cash overdraft	(2,777)	4,231	(4,231)
Increase (decrease) in notes payable	(58)	(1,301)	--
Long-term borrowings	33,036	15,000	50,000
Repayments of long-term borrowings	(27,104)	(12,695)	(45,682)
Net cash provided by (used in) financing activities	2,376	4,568	(939)
Net increase (decrease) in cash and cash equivalents	(119)	(677)	5,680
Cash and cash equivalents beginning of year	2,484	2,365	1,688
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 2,365	\$ 1,688	\$ 7,368
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	\$ 11,992	\$ 12,646	\$ 15,169
ADJUSTMENTS:			
Depreciation and amortization	6,634	7,158	9,300
Provision for bad debts	2,550	2,187	1,915
Gain on sale of assets	(2,492)	(147)	(141)
Increase in accounts receivable	(11,963)	(3,767)	(14,793)
Increase in inventories and supplies	(459)	(2,486)	(1,132)
Increase in prepaid expenses	(1,183)	(2,707)	(2,139)
Increase in other assets	(380)	(1,055)	(1,070)
Increase in deferred income taxes	(87)	(4,256)	(2,353)
Increase (decrease) in income taxes payable	(341)	2,027	(1,242)
Increase in retirement plans accrual	542	926	1,404
Increase (decrease) in insurance claims liability	(2,199)	4,948	4,086
Increase in trade accounts payable and other accrued liabilities	2,318	1,771	12,852
Total adjustments to net income	(7,060)	4,599	6,687
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 4,932	\$ 17,245	\$ 21,856

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of ABM Industries Incorporated and all its subsidiaries (the "Company"). All material intercompany transactions and balances have been eliminated. Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

ACCOUNTS RECEIVABLE: The Company's accounts receivable are trade receivables arising from services provided to its customers and are generally due and payable on terms varying from the receipt of invoice to net thirty days. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

INVENTORIES AND SUPPLIES: Inventories and supplies are valued at amounts approximating the lower of cost (first-in, first-out basis) or market.

PROPERTY, PLANT AND EQUIPMENT: Major renewals, replacements and betterments are capitalized. At the time property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Maintenance and repairs are charged against income.

Depreciation is calculated principally on the straight line method. Lives used in computing depreciation for transportation equipment average 3 to 5 years and 2 to 20 years for machinery and other equipment. Buildings are depreciated over periods of 20 to 40 years. Leasehold improvements are amortized over the terms of the respective leases.

AMORTIZATION OF INTANGIBLE ASSETS: Intangible assets consist of goodwill, customer lists, and noncompete agreements. Goodwill, which represents the excess of cost over fair value of assets of businesses acquired, is amortized on a straight-line basis over periods not exceeding 40 years. It is the Company's policy to carry goodwill applicable to acquisitions prior to 1971 of \$1,094,000 at cost until such time as there may be evidence of diminution in value. Goodwill and customer lists in the amounts of approximately \$18,860,000 and \$1,557,000 related to the System Parking acquisition on September 1, 1993, are being amortized on a straight-line basis over 30 and 10 years, respectively. Customer lists and noncompete agreements are amortized over the estimated period to be benefited, generally from 5 to 10 years. The Company annually evaluates the existence of goodwill impairment on the basis of whether the goodwill is fully recoverable from projected, undiscounted, net cash flows of the related business unit. Impairment would be recognized in operating results if a permanent diminution in value were to occur.

INCOME TAXES: Income tax expense is based on reported results of operations before income taxes. In accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

REVENUE RECOGNITION: Revenues are recorded at the time services are performed or when products are shipped except for long-term contracts which are recorded on the percentage-of-completion method. The percentage-of-completion method is used by both the Amtech Elevator and CommAir Mechanical Services Divisions of the Amtech Divisions segment, for their long-term contracts. Revenues and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion. Revenues and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses are recorded when identified.

NET INCOME PER COMMON SHARE: Net income per common and common equivalent share, after the reduction for preferred stock dividends in the amount of \$87,000 in 1993 and \$512,000 in 1994, 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 shown.

STATEMENTS OF CASH FLOWS: For purposes of the comparative statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less to be cash and cash

equivalents. Certain noncash transactions are excluded from the consolidated statements of cash flows and are discussed in note 12.

2. INSURANCE

Certain insurable risks such as general liability, property damage and workers' compensation are self-insured by the Company. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis. Under this program, the estimated liability for claims incurred but unpaid at October 31, 1993 and 1994 was \$61,329,000 and \$65,415,000, respectively. In connection with certain self-insurance agreements, the Company has standby letters of credit at October 31, 1994 supporting the estimated unpaid liability in the amounts of \$49,202,000.

3. INVENTORIES AND SUPPLIES

The inventories and supplies at October 31, consisted of the following:

(in thousands of dollars)	1993	1994
Janitorial supplies and equipment held for sale	\$ 3,401	\$ 3,278
Materials and supplies	11,619	12,683
Work in process	1,268	1,459
	\$16,288	\$17,420

4. PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of dollars)	1993	1994
Land	\$ 1,255	\$ 1,901
Buildings	4,108	4,162
Transportation equipment	7,727	8,599
Machinery and other equipment	29,415	33,187
Leasehold improvements	8,333	9,053
	\$50,838	\$56,902

5. DEBT

(A) SHORT-TERM DEBT AND LINES OF CREDIT

Prior to September 22, 1994, the Company had agreements with several banks for lines of credit totaling \$13,000,000. In conjunction with the negotiation of the new credit facility described in (b) below, these lines were terminated.

As a result of maintaining a consolidated cash management system, the Company maintains overdraft positions at certain banks. Such overdrafts are included in current liabilities. The overdraft at October 31, 1993 was \$4,231,000. The Company was not in an overdraft position at October 31, 1994.

(B) LONG-TERM DEBT AND CREDIT AGREEMENT

Prior to September 22, 1994, the Company had a \$20,000,000 credit agreement with a major U.S. bank. In conjunction with the negotiation of the new credit facility described below, this line was terminated. On September 22, 1994, the Company signed a new \$100,000,000 credit agreement with a syndicate of U.S. banks. This agreement expires September 22, 1998, and at the Company's option, may be extended one year. The unsecured revolving credit facility provides, at the Company's option, interest at the prime rate or IBOR+.45%. The facility calls for a commitment fee payable quarterly, in arrears, of .15% based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of October 31, 1994, the total outstanding amount under this facility was \$72,451,000 comprised of \$23 million in loans and \$49,451,000 in standby letters of credit. The interest rate at October 31, 1994 was 6.3%. The Company is required, under this agreement to maintain financial ratios and places certain limitations on dividend payments. The Company is prohibited from paying cash dividends exceeding 50% of its net income for any fiscal year.

In connection with the Company's acquisition of System Parking, \$3,818,000 of 9.35% fixed rate fully amortizing debt with a major insurance company was assumed. Terms call for monthly interest payments and equal annual principal payments. The loan matures October 1, 1998.

The long-term debt of \$25,937,000 matures in the years ending October 31 as follows: \$683,000 in 1995; \$683,000 in 1996; \$683,000 in 1997; \$23,697,000 in 1998; and \$187,000 in 1999 and \$4,000 in subsequent years.

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

(in thousands of dollars)	1993	1994
Note payable to bank	\$18,000	\$23,000
Note payable to insurance company	3,181	2,545
Notes payable, contracts and annuities payable with interest rates from 8% to 8.75% payable through 2001	438	392
	21,619	25,937
Less current portion	682	683
	\$20,937	\$25,254

(C) SWAP AGREEMENT

At October 31, 1994, the Company had outstanding an interest rate swap agreement with a domestic commercial bank, having a notional principal amount

of \$15 million. This agreement effectively changes the Company's interest rate exposure on \$15 million of its floating rate debt to a fixed 5.8%. The interest rate swap agreement matures December 10, 1994. The Company is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Company does not anticipate nonperformance by the counterparties.

6. EMPLOYEE BENEFIT PLANS

(A) RETIREMENT AGREEMENTS

The Company has unfunded retirement agreements for twelve current and former senior executives. The agreements provide for annual benefits for ten years commencing with the respective retirement dates of those executives. The benefits are being accrued over the period the senior executives are expected to be employed by the Company. During 1992, 1993 and 1994, amounts accrued under these agreements were \$210,000, \$301,000 and \$178,000, respectively. Payments were made in 1992, 1993 and 1994 in the amounts of \$140,000, \$150,000 and \$112,000, respectively.

(B) PROFIT SHARING AND EMPLOYEE SAVINGS PLAN

The Company has a discretionary noncontributory profit sharing and employee savings plan covering all nonmanual employees (except highly compensated individuals) not covered under collective bargaining agreements, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions and the Company matches certain percentages of employee contributions depending on the participant's length of service. All amounts contributed to the plan are deposited in a trust fund with a national bank and administered by independent trustees.

The Company made profit sharing provisions of \$417,000 and \$385,000 for 1993 and 1994, respectively. No contribution was made to the profit sharing plan for 1992. The Company's matching contributions required by the employee savings plan for 1992, 1993 and 1994 were approximately \$490,000, \$567,000 and \$500,000, respectively.

(C) SERVICE AWARD PLAN

The Company established an unfunded service award plan effective November 1, 1989, with a retroactive vesting period of five years. This plan is a "severance pay plan" as defined by the Employee Retirement Income Security Act (ERISA) and covers all highly compensated nonmanual employees excluded from the Profit Sharing and Employee Savings Plan discussed above. The plan provides participants, upon termination, with a guaranteed seven days pay for each year of employment subsequent to November 1, 1989. The Company, at its discretion, may also award additional days each year.

Net cost of the plan is comprised of:

(in thousands of dollars)	1992	1993	1994
Service cost	\$ 331	\$ 380	\$ 324
Interest	72	91	108
Net cost	\$ 403	\$ 471	\$ 432
Actuarial present value of:			
Vested benefit obligation	\$ 756	\$ 1,053	\$ 1,436
Accumulated benefit obligation	\$ 863	\$ 1,164	\$ 1,523
Projected benefit obligation	\$ 1,299	\$ 1,833	\$ 1,970

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

	1992	1993	1994
Weighted average discount rate	8%	7%	7%
Rates of increase in compensation level	6%	6%	5%

(D) POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

In 1994, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, Employers' Accounting for Post-Retirement Benefits Other than Pensions, which requires the Company to record all post retirement benefits on an accrual basis. The adoption of this Statement had no material effect on its financial statements. The Company provides post-retirement benefits in the form of life insurance to its nonmanual employees after retirement for life for employees whose employment began prior to September 1, 1980. For employees hired after this date, the retiree life insurance benefit terminates at age 70.

(E) PENSION PLAN UNDER COLLECTIVE BARGAINING

Certain employees of the Company are covered under union-sponsored collectively bargained multi-employer defined benefit plans. Contributions for these plans were approximately \$8,700,000, \$8,600,000 and \$10,800,000 in 1992, 1993 and 1994, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

7. LEASE COMMITMENTS AND RENTAL EXPENSE

The Company is obligated under noncancelable operating leases for various facilities and equipment. Assets held under these leases consist of offices, warehouses, vehicles and parking facilities.

As of October 31, 1994, future minimum lease commitments under noncancelable operating leases are as follows:

Years ending (in thousands of dollars)	
1995	52,029
1996	45,486
1997	33,312
1998	13,743
1999	4,458
Thereafter through 2000	8,560
Total minimum lease commitments	\$ 157,588

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

(in thousands of dollars)	1992	1993	1994
Minimum rentals under noncancelable leases	\$ 23,720	\$ 26,565	\$ 36,724
Contingent rentals	8,061	9,648	17,398
Short-term rental agreements	3,855	5,792	20,855
	\$ 35,636	\$ 42,005	\$ 74,977

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

8. COMMITMENTS AND CONTINGENCIES

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

9. REDEEMABLE CUMULATIVE PREFERRED STOCK

On June 23, 1993, the Company authorized 6,400 shares of preferred stock having a par value of \$.01 per share. These shares designated as Series B 8% Senior Redeemable Cumulative Preferred Stock (Series B Preferred Stock) shall be entitled to one vote per share on all matters upon which common stockholders are entitled to vote and have a redemption price of \$1,000 per share, together with accrued and unpaid dividends thereon. Redemption of the Series B Preferred Stock is at the option of the holders for any or all of the outstanding shares after September 1, 1998 or at the option of the Company after September 1, 2001. The total redemption value of the shares outstanding at October 31 in an amount of \$6,400,000 is classified on the Company's balance sheet as redeemable cumulative preferred stock. In the event of any liquidation, dissolution or winding up of the affairs of the Company, holders of the Series B Preferred Stock shall be paid the redemption price plus all accrued dividends to the date of liquidation, dissolution or winding up of affairs before any payment to other stockholders.

As discussed in Note 12, the Company issued 6,400 shares of its Series B Preferred Stock in conjunction with the acquisition of System Parking. The acquisition agreement provided that one-half, or 3,200 shares, of the Series B Preferred Stock be placed in escrow and released upon certain annual earnout requirements.

Dividends of \$128,000 will be due and payable each quarter and are deductible from net income in determining net income per common share.

10. CAPITAL STOCK

On June 16, 1992, the Company's Board of Directors approved a two-for-one split of the Company's common stock in the form of a 100% stock dividend for shareholders of record as of July 15, 1992. A total of 4,226,701 shares of common stock were issued in connection with the split. The stated par value of each share was not changed from \$.01. A total of \$42,000 was reclassified from the Company's additional paid in capital account to the Company's common stock account. All share and per share amounts have been restated to retroactively reflect the stock split.

In 1984, the Company adopted an executive stock option plan whereby 340,000 shares (adjusted for the stock split mentioned above) were reserved for grant until March 20, 1994. Options which have been granted at the fair market value of \$11.44 to \$17.44, are exercisable only when the option holders reach their 67th birthday and remain exercisable until 30 days after their actual retirement date. Options which terminate without being exercised may be reissued. At October 31, 1994, there were 6,000 shares exercisable.

Transactions under this plan, restated for the 2 for 1 stock split, are summarized as follows:

	Number of Shares under Option	Option Price per Share
Balance October 31, 1991	238,000	\$11.44 - \$17.44
Options terminated	--	
Balance October 31, 1992	238,000	
Options exercised	(6,000)	\$11.44
Balance October 31, 1993	232,000	
Options terminated	(3,000)	\$11.44
Balance October 31, 1994	229,000	\$11.44 - \$17.44

In 1987, the Company adopted a stock option plan under which 600,000 shares were reserved for grant until December 31, 1996. In March 1994, this

plan was amended to reserve an additional 500,000 shares. During 1988, 356,800 shares were granted at fair market value prices of \$9.57 to \$12.13 and became exercisable at varying percentages from 1989 to 1993. During 1992, 296,000 additional shares were granted at a fair market price of \$16.97 and are exercisable at varying percentages from 1993 to 1997. During 1994, 440,500 additional shares were granted at a fair market price of \$17.81 and \$19.59. Options which terminate without being exercised may be reissued.

Transactions under this plan, restated for the 2 for 1 stock split, are summarized as follows:

	Number of Shares under Option	Option Price per Share
Balance October 31, 1991	266,960	\$9.57 - \$12.13
Shares granted	296,000	\$16.97
Options exercised	(43,290)	\$11.56 - \$12.13
Options terminated	(2,680)	\$12.13
Balance October 31, 1992	516,990	
Options exercised	(26,485)	\$11.56 - \$16.97
Options terminated	(6,640)	\$12.13 - \$16.97
Balance October 31, 1993	483,865	
Shares granted	440,500	\$17.81 - \$19.59
Options exercised	(15,600)	\$12.13 - \$16.97
Options terminated	(26,400)	\$12.13 - \$16.97
Balance October 31, 1994	882,365	\$9.57 - \$19.59

At October 31, 1994, there were 336,905 shares exercisable and 92,940 shares remained available for grant.

The Company has an employee stock purchase plan under which sale of 2.5 million shares of its common stock has been authorized. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value on the date of purchase. Employees may designate up to 10% of their compensation for the purchase of stock. During 1992, 1993 and 1994, 136,000, 232,000 and 255,000 shares of stock were issued under the plan for an aggregate purchase price of \$2,889,000, \$3,362,000 and \$3,849,000, respectively. At October 31, 1994, 652,339 shares remained unissued under the plan.

The Company is authorized to issue 500,000 shares of preferred stock, of which 50,000 shares have been designated as Series A Junior Participating Preferred Stock of \$.01 par value. None of the preferred shares has been issued.

On April 22, 1988, the Company distributed a dividend of one half of one right for each outstanding share of common stock as adjusted to reflect the 2 for 1 split. The rights are attached to all outstanding shares of common stock. Each right entitles the holder to purchase 1/100 of a share of the Series A Junior Participating Preferred Stock for \$80, subject to adjustment. The rights are exercisable only after a third party (other than Sydney and Theodore Rosenberg, individually or as members of a group, or their permitted transferees) acquires 20% or more or commences a tender offer which would result in such party's acquiring 30% or more of the Company's common stock. The rights expire on April 22, 1998, and may be redeemed at a price of \$.01 under certain circumstances.

After the rights become exercisable, if the Company is acquired and is not the surviving corporation or 50% or more of its assets or its earnings power is transferred, each right will entitle its holder to purchase shares of the acquiring company at a 50% discount. If the Company is acquired and is the surviving corporation, or a 20% or greater holder engages in "self-dealing" transactions or increases its beneficial ownership of the Company by more than 1% in a transaction involving the Company, each right will entitle its holder, other than the acquirer, to purchase common stock of the Company at a similar 50% discount.

11. INCOME TAXES

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

(in thousands of dollars)	1992	1993	1994
Current			
Federal	\$ 6,665	\$ 9,693	\$ 9,621
State	1,644	2,325	1,992
Foreign	203	224	630
Deferred			
Federal	(75)	(3,947)	(2,111)
State	(12)	(699)	(242)
	\$ 8,425	\$ 7,596	\$ 9,890

The 1993 deferred federal income tax benefit includes a \$540,000 benefit associated with the Omnibus Budget Reconciliation Act of 1993 enacted on August 10, 1993.

Income tax expense attributable to income from operations differs from the amounts computed by

applying the U.S. statutory rates to pretax income from operations as a result of the following for the years ended October 31:

	1992	1993	1994
Statutory rate	34.0%	35.0%	35.0%
State and local taxes on income, net of federal tax benefit	5.0%	5.2%	4.5%
Tax rate change on deferred tax assets and liabilities	--	(2.7)%	--
Targeted job tax credits	(3.2)%	(2.0)%	(2.6)%
Nondeductible expenses and other -- net	5.5%	2.0%	2.6%
	41.3%	37.5%	39.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, are presented below:

(in thousands of dollars)	1993	1994
Deferred tax assets:		
Self-insurance claims	\$ 22,335	\$ 23,930
Bad debt allowance	1,528	1,480
Deferred and other compensation	2,259	2,847
State taxes	499	508
Other	182	419
Total deferred tax assets	26,803	29,184
Deferred tax liabilities:		
Union pension contributions	(2,058)	(2,179)
Customer lists	(153)	(118)
Depreciation	(325)	(267)
Total deferred tax liabilities	(2,536)	(2,564)
Net deferred tax assets	\$ 24,267	\$ 26,620

The Company believes that a valuation reserve is not needed to reduce deferred tax assets because it is expected that all deferred assets will ultimately be realized.

12. ACQUISITIONS AND DIVESTITURES

All acquisitions have been accounted for as purchases; operations of the companies and businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The excess of the purchase price over fair value of the net assets acquired is generally included in goodwill and customer lists. Most purchase agreements provide for contingent payments based on the annual pretax income for subsequent periods ranging from two to five years. Any such future payments are generally capitalized as goodwill or customer lists when paid. Cost of acquisitions, including amounts based on subsequent earnings, were approximately \$3.3 million in 1992, \$24.1 million in 1993 and \$7.1 million in 1994. Included in the 1993 amount is the redemption value of redeemable preferred stock of the Company of \$6,400,000.

On January 1, 1993, the Company's subsidiary, Ampco Auto Parks, Inc., acquired in a cash transaction, substantially all of the parking operations of Metropolitan Parking Corporation, a San Francisco based company. In addition to amounts paid at closing, the acquisition agreement provided for additional payments over the subsequent five years based upon the operating income of existing contracts. The Company also acquired substantially all of the parking operations of System Parking effective September 1, 1993. The purchase price was approximately \$20 million, consisting of cash in the amount of \$1,750,000, assumption of net liabilities of \$11,850,000, and the issuance of 6,400 redeemable preferred shares of the Company with a redemption value equal to the fair market value of \$1,000 per preferred share. The cost of the acquisition was allocated on the basis of the estimated fair value of the assets acquired and liabilities assumed. This allocation resulted in goodwill and customer lists of approximately \$18,860,000 and \$1,557,000, respectively. The goodwill is being amortized over 30 years and the customer list over 10 years, both under a straight-line basis.

The Company acquired the janitorial operations of General Maintenance Service Company, Inc. in Washington, D.C. on March 1, 1994. General Maintenance provides janitorial services to major commercial buildings and institutions in Washington, D.C., Maryland, and Virginia. At the time of acquisition by the Company, General Maintenance reported annual revenues of approximately \$18.9 million. In addition to the amount paid at closing, annual contingent payments based upon gross profit of acquired contracts will be made over the next five years.

13. DISCLOSURES ABOUT FAIR VALUE OF
FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

CASH AND CASH EQUIVALENTS

The carrying amount approximates fair value because of the short maturity of those instruments.

INVESTMENTS AND LONG-TERM RECEIVABLES

The category is composed of 18 separate financial contracts totaling \$4,643,000 and 10 nonfinancial instruments valued at \$2,198,000. Contract values are deemed to equal fair market value.

LONG-TERM DEBT

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities. Fair value of the interest rate swap agreement is the amount at which the agreement could be settled based on estimates obtained from the bank.

The estimated fair values of the Company's financial instruments at October 31, 1994 are as follows:

(in thousands of dollars)	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 7,368	\$ 7,368
Investments and long-term receivables	6,841	6,841
Long-term debt and interest rate swap	25,254	24,944
Mandatory redeemable preferred stock	6,400	6,400

14. QUARTERLY INFORMATION (UNAUDITED)

(in thousands, except earnings per share)

OPERATIONS	FISCAL QUARTER				YEAR
	FIRST	SECOND	THIRD	FOURTH	
1993					
Revenues and other income	\$187,201	\$188,667	\$192,203	\$205,241	\$773,312
Gross profit	27,257	26,866	28,390	32,296	114,809
Net income	2,359	2,666	3,382	4,239	12,646
Net income per common share	0.28	0.31	0.39	.47	1.45
1994					
Revenues and other income	\$210,839	\$215,872	\$224,965	\$232,957	\$884,633
Gross profit	29,363	31,234	30,562	33,418	124,577
Net income	2,827	3,318	4,146	4,878	15,169
Net income per common share	0.31	0.36	0.45	0.53	1.65

15. SEGMENT INFORMATION

(in thousands of dollars)

FOR THE YEAR ENDED OCTOBER 31, 1992	JANITORIAL SERVICES	AMTECH SERVICES	OTHER SERVICES	CORPORATE	ELIMINATIONS	CONSOLIDATED TOTALS
Revenues and other income	\$ 445,300	\$ 199,310	\$ 112,532	\$ 2,955	\$	\$ 760,097
Intersegment revenues	9,843	292	35	--	(10,170)	--
Total Revenues	\$ 455,143	\$ 199,602	\$ 112,567	\$ 2,955	\$ (10,170)	\$ 760,097
Operating profit	\$ 20,239	\$ 6,540	\$ 4,950	\$ (9,251)	\$	\$ 22,478
Interest, expense	(46)	(119)	(7)	(1,889)		(2,061)
Income before income taxes	\$ 20,193	\$ 6,421	\$ 4,943	\$ (11,140)	\$	\$ 20,417
Identifiable assets	\$ 94,989	\$ 72,066	\$ 30,021	\$ 26,648	\$	\$ 223,724
Depreciation expense	\$ 2,074	\$ 1,678	\$ 830	\$ 457	\$	\$ 5,039
Amortization expense	\$ 691	\$ 601	\$ 303	\$ --	\$	\$ 1,595
Capital expenditures	\$ 2,548	\$ 1,502	\$ 797	\$ 378	\$	\$ 5,225

FOR THE YEAR ENDED OCTOBER 31, 1993

Revenues and other income	\$ 442,241	\$ 209,520	\$ 121,053	\$ 498	\$	\$ 773,312
Intersegment revenues	9,609	293	60	--	(9,962)	--
Total Revenues	\$ 451,850	\$ 209,813	\$ 121,113	\$ 498	\$ (9,962)	\$ 773,312
Operating profit	\$ 19,545	\$ 9,111	\$ 4,797	\$ (11,047)	\$	\$ 22,406
Interest, expense	(45)	(47)	(5)	(2,067)		(2,164)
Income before income taxes	\$ 19,500	\$ 9,064	\$ 4,792	\$ (13,114)	\$	\$ 20,242
Identifiable assets	\$ 99,128	\$ 75,628	\$ 64,545	\$ 28,839	\$	\$ 268,140
Depreciation expense	\$ 2,059	\$ 1,615	\$ 963	\$ 368	\$	\$ 5,005
Amortization expense	\$ 763	\$ 636	\$ 754	\$ --	\$	\$ 2,153
Capital expenditures	\$ 2,764	\$ 2,020	\$ 1,008	\$ 395	\$	\$ 6,187

FOR THE YEAR ENDED OCTOBER 31, 1994

Revenues and other income	\$ 481,604	\$ 228,962	\$ 173,707	\$ 360	\$	\$ 884,633
Intersegment revenues	9,944	175	61	--	(10,180)	--

Total Revenues	\$ 491,548	\$ 229,137	\$ 173,768	\$ 360	\$ (10,180)	\$ 884,633
Operating profit	\$ 22,045	\$ 10,817	\$ 6,480	\$ (10,824)	\$	\$ 28,518
Interest, expense	(36)	(632)	(10)	(2,781)		(3,459)
Income before income taxes	\$ 22,009	\$ 10,185	\$ 6,470	\$ (13,605)	\$	\$ 25,059
Identifiable assets	\$ 111,869	\$ 81,913	\$ 71,418	\$ 34,270	\$	\$ 299,470
Depreciation expense	\$ 2,283	\$ 1,723	\$ 1,328	\$ 409	\$	\$ 5,743
Amortization expense	\$ 1,298	\$ 640	\$ 1,619	\$ --	\$	\$ 3,557
Capital expenditures	\$ 2,946	\$ 1,987	\$ 2,092	\$ 1,514	\$	\$ 8,539

Intersegment revenues are recorded at prices negotiated between the entities.

SCHEDULE VIII

ABM Industries Incorporated

CONSOLIDATED VALUATION ACCOUNTS

For the Three Years Ended October 31, 1992, 1993 and 1994
(in thousands of dollars)

	BALANCE BEGINNING OF YEAR	CHARGES TO COSTS AND EXPENSES	DEDUCTIONS NET OF RECOVERIES	OTHER ADDITIONS (REDUCTIONS)	BALANCE END OF YEAR
Allowance for Doubtful Accounts					
Years ended October 31:					
1992	\$ 2,331	\$ 2,550	\$ (2,075)	--	\$ 2,806
1993	2,806	2,187	(892)		4,101
1994	4,101	1,915	(1,949)		4,067

ITEM 9. DISAGREEMENTS
ON ACCOUNTING AND
FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is incorporated by reference to the information set forth under the caption "Election of Directors" contained in the Proxy Statement to be used by the Company in connection with its 1995 Annual Meeting of Stockholders. See also the cover page of this Form 10-K and item 1.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to the information set forth under the caption "Executive Compensation" contained in the Proxy Statement to be used by the Company in connection with its 1995 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference to the information set forth under the caption "Principal Stockholders" contained in the Proxy Statement to be used by the Company in connection with its 1995 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference to the information set forth under the captions "Executive Compensation" and "Certain Relationships and Related Transactions" contained in the Proxy Statement to be used by the Company in connection with the 1995 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED
FINANCIAL STATEMENT
SCHEDULES AND REPORTS ON
FORM 8-K.

(A) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS FORM 10-K:

1. and 2. Consolidated Financial Statements and Consolidated Financial Statement Schedule.

The following consolidated financial statements of ABM Industries Incorporated and subsidiaries are included in Item 8:

Independent Auditors' Report

Consolidated balance sheets -- October 31, 1993 and 1994

Consolidated statements of income -- Years ended October 31, 1992, 1993 and 1994

Consolidated statements of stockholders' equity -- Years ended October 31, 1992, 1993 and 1994

Consolidated statements of cash flows -- Years ended October 31, 1992, 1993 and 1994

Notes to consolidated financial statements -- October 31, 1994.

The following consolidated financial statement schedule of ABM Industries Incorporated and subsidiaries is included in Item 8.

Schedule VIII -- Consolidated Valuation Accounts for the Three Years Ended October 31, 1992, 1993 and 1994.

All other schedules are omitted because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto.

The individual financial statements of the registrant's subsidiaries have been omitted since the registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are wholly-owned subsidiaries.

Exhibit Number	Description
3.1	[k] Certificate of Incorporation, as amended.
3.2	[i] Restated Bylaws, as amended.
4.1	Credit Agreement, dated September 22, 1994, between Bank of America National Trust and Savings Association and the Company.
10.2	[a]* 1985 Employee Stock Purchase Plan.
10.3	[b]* Supplemental Medical and Dental Plan.
10.4	[b]* 1984 Executive Stock Option Plan.
10.6	[f]* Consulting Agreement with R. David Anacker.
10.7	[f]* Executive Employment Agreement with Sydney J. Rosenberg.
10.9	[f]* Short Form Deed of Trust and Assignment of Rents (dated December 17, 1991) between the Company and John F. Egan, together with the related Promissory Note (dated January 1, 1992).
10.13	[c]* 1987 Stock Option Plan.
10.16	[d] Rights Agreement, dated as of April 11, 1988, between the Company and Bank of America National Trust and Savings Association, as Rights Agent with Chemical Trust Company of California as successor-in-interest to Bank of America as Rights Agent.
10.19	[e]* Service Award Plan.
10.20	[f]* Executive Employment Agreement with William W. Steele.
10.21	[f]* Amended and Restated Retirement Plan for Outside Directors.
10.22	[f]* Amendment No. 1 to Service Award Plan.
10.23	[g]* Form of Outside Director Retirement Agreement (dated June 16, 1992).
10.24	[g]* Executive Employment Agreement with John F. Egan.
10.25	[g]* Executive Employment Agreement with Jess. E. Benton, III.
10.27	[i] Guaranty of American Building Maintenance Industries, Inc.
10.28	[j]* Deferred Compensation Plan.
10.29	[j]* Form of Existing Executive Employment Agreement Other Than Those Named Above.
10.30	* Executive Employment Agreement with Martinn H. Mandles, as amended by Amendments One and Two.
10.31	* Amendment of Corporate Executive Employment Agreement with William W. Steele.
10.32	* First and Second Amendments of Corporate Executive Employment Agreement with John F. Egan.
10.33	* Amendment of Corporate Executive Employment Agreement with Sydney J. Rosenberg.
10.34	* First and Second Amendments of Corporate Executive Employment Agreement with Jess E. Benton, III.
10.35	* Form of Amendments of Corporate Executive Employment Agreements with Other Than Those Named Above.
22.1	Subsidiaries of the Registrant.
24.1	Consent of Independent Certified Public Accountants.
27.1	Financial Data Schedule.

- [a] Incorporated by reference to exhibit 4.1 of the Company's Registration Statement on Form S-8 filed March 30, 1994.
- [b] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1984.
- [c] Incorporated by reference to exhibit 4.1 of the Company's Registration Statement on Form S-8 filed March 31, 1994.
- [d] Incorporated by reference to exhibit 1 to the Company's report on Form 8-K dated April 11, 1988.
- [e] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1990.
- [f] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1991.

- [g] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q dated July 31, 1992.
- [h] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1992.
- [i] Incorporated by reference to the exhibit bearing the same numeric reference which was filed as an exhibit to the Company's quarterly report on Form 10-Q dated July 31, 1993.
- [j] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1993.
- [k] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q dated April 30, 1994.

- -----
* Management contract, compensatory plan or arrangement

(B) REPORTS ON FORM 8K:

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABM INDUSTRIES INCORPORATED

By: /s/ Sydney J. Rosenberg

Sydney J. Rosenberg
Chairman of the Board and Director
January 27, 1995

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Sydney J. Rosenberg

Sydney J. Rosenberg
Chairman of the Board and Director
January 27, 1995

/s/ David H. Hebble

David H. Hebble
Corporate Vice President and
Chief Financial Officer
(Principal Financial Officer)
January 27, 1995

/s/ William W. Steele

William W. Steele, President
Chief Executive Officer and Director
January 27, 1995

/s/ Hussain A. Khan

Hussain A. Khan, Corporate Controller
(Principal Accounting Officer)
January 27, 1995

/s/ Maryellen B. Cattani

Maryellen B. Cattani, Director
January 27, 1995

/s/ Robert S. Dickerman

Robert S. Dickerman, Director
January 27, 1995

/s/ John F. Egan

John F. Egan
Corporate Vice President and Director
January 27, 1995

/s/ Charles T. Horngren

Charles T. Horngren, Director
January 27, 1995

/s/ Felix M. Juda

Felix M. Juda, Director
January 27, 1995

/s/ Martinn H. Mandles

Martinn H. Mandles
Executive Vice President
Chief Administrative Officer and
Director
January 27, 1995

/s/ Theodore Rosenberg

Theodore Rosenberg, Director
January 27, 1995

/s/ William E. Walsh

William E. Walsh, Director
January 27, 1995

\$100,000,000

CREDIT AGREEMENT

Dated as of September 22, 1994

among

ABM INDUSTRIES INCORPORATED,

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,

as Agent

and

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO

NATIONSBANK OF TEXAS, N.A.

Co-Agent

BA SECURITIES, INC.

Arranger

TABLE OF CONTENTS

	PAGE
ARTICLE I	DEFINITIONS..... 1
Section 1.1	CERTAIN DEFINED TERMS..... 1
Section 1.2	OTHER INTERPRETIVE PROVISIONS..... 16
Section 1.3	ACCOUNTING PRINCIPLES..... 17
ARTICLE II	THE CREDITS..... 18
Section 2.1	AMOUNTS AND TERMS OF COMMITMENTS..... 18
Section 2.2	LOAN ACCOUNTS..... 18
Section 2.3	PROCEDURE FOR BORROWING..... 19
Section 2.4	CONVERSION AND CONTINUATION ELECTIONS..... 20
Section 2.5	VOLUNTARY TERMINATION OR REDUCTION OF COMMITMENTS 21
Section 2.6	OPTIONAL PREPAYMENTS..... 22
Section 2.7	MANDATORY PREPAYMENTS OF LOANS; MANDATORY COMMITMENT REDUCTIONS..... 22
Section 2.8	REPAYMENT..... 22
Section 2.9	INTEREST..... 22
Section 2.10	FEES..... 23
Section 2.11	COMPUTATION OF FEES AND INTEREST..... 24
Section 2.12	PAYMENTS BY THE COMPANY..... 24
Section 2.13	PAYMENTS BY THE BANKS TO THE AGENT..... 25
Section 2.14	SHARING OF PAYMENTS, ETC..... 26
Section 2.15	EXTENSION OF COMMITMENTS..... 26
ARTICLE III	THE LETTERS OF CREDIT..... 27
Section 3.1	LETTERS OF CREDIT SUBFACILITY..... 27
Section 3.2	ISSUANCE, AMENDMENT AND RENEWAL OF LETTERS OF CREDIT..... 28
Section 3.3	EXISTING BoFA LETTERS OF CREDIT; RISK PARTICIPATIONS, DRAWINGS AND REIMBURSEMENTS..... 32
Section 3.4	REPAYMENT OF PARTICIPATIONS..... 37
Section 3.5	ROLE OF L/C BANKS AND AGENT AS PAYING AGENT..... 37
Section 3.6	OBLIGATIONS ABSOLUTE..... 39
Section 3.7	CASH COLLATERAL PLEDGE..... 40
Section 3.8	LETTER OF CREDIT FEES..... 40
Section 3.9	UNIFORM CUSTOMS AND PRACTICE..... 41

	PAGE
ARTICLE IV	TAXES, YIELD PROTECTION AND ILLEGALITY..... 42
Section 4.1	TAXES..... 42
Section 4.2	ILLEGALITY..... 45
Section 4.3	INCREASED COSTS AND REDUCTION OF RETURN..... 46
Section 4.4	FUNDING LOSSES..... 46
Section 4.5	INABILITY TO DETERMINE RATES..... 47
Section 4.6	CERTIFICATES OF BANKS..... 48
Section 4.7	SURVIVAL..... 48
ARTICLE V	CONDITIONS PRECEDENT..... 48
Section 5.1	CONDITIONS OF INITIAL CREDIT EXTENSIONS..... 48
Section 5.2	CONDITIONS TO ALL CREDIT EXTENSIONS..... 50
ARTICLE VI	REPRESENTATIONS AND WARRANTIES..... 50
Section 6.1	CORPORATE EXISTENCE AND POWER..... 51
Section 6.2	CORPORATE AUTHORIZATION; NO CONTRAVENTION..... 51
Section 6.3	GOVERNMENTAL AUTHORIZATION..... 51
Section 6.4	BINDING EFFECT..... 52
Section 6.5	LITIGATION..... 52
Section 6.6	NO DEFAULT..... 52
Section 6.7	ERISA COMPLIANCE..... 52
Section 6.8	USE OF PROCEEDS; MARGIN REGULATIONS..... 53
Section 6.9	TITLE TO PROPERTIES..... 54
Section 6.10	TAXES..... 54
Section 6.11	FINANCIAL CONDITION..... 54
Section 6.12	ENVIRONMENTAL MATTERS..... 54
Section 6.13	REGULATED ENTITIES..... 55
Section 6.14	NO BURDENSOME RESTRICTIONS..... 55
Section 6.15	COPYRIGHTS, PATENTS, TRADEMARKS AND LICENSES, ETC..... 55
Section 6.16	SUBSIDIARIES..... 55
Section 6.17	INSURANCE..... 55
Section 6.18	FULL DISCLOSURE..... 56
ARTICLE VII	AFFIRMATIVE COVENANTS..... 56
Section 7.1	FINANCIAL STATEMENTS..... 56
Section 7.2	CERTIFICATES; OTHER INFORMATION..... 57
Section 7.3	NOTICES..... 58
Section 7.4	PRESERVATION OF CORPORATE EXISTENCE, ETC..... 59
Section 7.5	MAINTENANCE OF PROPERTY..... 59
Section 7.6	INSURANCE..... 59
Section 7.7	PAYMENT OF OBLIGATIONS..... 60

	PAGE
Section 7.8	COMPLIANCE WITH LAWS..... 60
Section 7.9	INSPECTION OF PROPERTY AND BOOKS AND RECORDS..... 60
Section 7.10	USE OF PROCEEDS..... 60
Section 7.11	EXISTING NON-BoFA LETTERS OF CREDIT..... 61
ARTICLE VIII	NEGATIVE COVENANTS..... 61
Section 8.1	LIMITATION ON LIENS..... 61
Section 8.2	DISPOSITION OF ASSETS..... 62
Section 8.3	CONSOLIDATIONS AND MERGERS..... 63
Section 8.4	LOANS AND INVESTMENTS..... 63
Section 8.5	LIMITATION ON INDEBTEDNESS..... 64
Section 8.6	TRANSACTIONS WITH AFFILIATES..... 65
Section 8.7	USE OF PROCEEDS..... 65
Section 8.8	USE OF PROCEEDS - INELIGIBLE SECURITIES..... 65
Section 8.9	JOINT VENTURES..... 66
Section 8.10	LEASE OBLIGATIONS..... 66
Section 8.11	RESTRICTED PAYMENTS..... 66
Section 8.12	CHANGE IN BUSINESS..... 66
Section 8.13	ACCOUNTING CHANGES..... 66
Section 8.14	FINANCIAL CONDITION..... 67
ARTICLE IX	EVENTS OF DEFAULT..... 67
Section 9.1	EVENT OF DEFAULT..... 67
Section 9.2	REMEDIES..... 70
Section 9.3	RIGHTS NOT EXCLUSIVE..... 70
ARTICLE X	THE AGENT..... 71
Section 10.1	APPOINTMENT AND AUTHORIZATION..... 71
Section 10.2	DELEGATION OF DUTIES..... 71
Section 10.3	LIABILITY OF AGENT..... 72
Section 10.4	RELIANCE BY AGENT..... 72
Section 10.5	NOTICE OF DEFAULT..... 73
Section 10.6	CREDIT DECISION..... 73
Section 10.7	INDEMNIFICATION..... 74
Section 10.8	AGENT IN INDIVIDUAL CAPACITY..... 74
Section 10.9	SUCCESSOR AGENT..... 74
Section 10.10	WITHHOLDING TAX..... 75
ARTICLE XI	MISCELLANEOUS..... 76
Section 11.1	AMENDMENTS AND WAIVERS..... 76
Section 11.2	NOTICES..... 77
Section 11.3	NO WAIVER; CUMULATIVE REMEDIES..... 78
Section 11.4	COSTS AND EXPENSES..... 78

Section 11.5	INDEMNITY.....	78
Section 11.6	PAYMENTS SET ASIDE.....	79
Section 11.7	SUCCESSORS AND ASSIGNS.....	79
Section 11.8	ASSIGNMENTS, PARTICIPATIONS, ETC.....	79
Section 11.9	SET-OFF.....	82
Section 11.10	AUTOMATIC DEBITS OF FEES.....	82
Section 11.11	NOTIFICATION OF ADDRESSES, LENDING OFFICES, ETC..	82
Section 11.12	COUNTERPARTS.....	83
Section 11.13	SEVERABILITY.....	83
Section 11.14	NO THIRD PARTIES BENEFITED.....	83
Section 11.15	GOVERNING LAW AND JURISDICTION.....	83
Section 11.16	WAIVER OF JURY TRIAL.....	83
Section 11.17	ENTIRE AGREEMENT.....	84

SCHEDULES

Schedule 1	Letters of Credit
Schedule 2	Litigation
Schedule 3	ERISA Matters
Schedule 4	Environmental Matters
Schedule 5	Subsidiaries
Schedule 6	Permitted Liens
Schedule 7	Permitted Indebtedness

EXHIBITS

Exhibit A	Form of Notice of Borrowing
Exhibit B	Form of Notice of Conversion/Continuation
Exhibit C	Form of Compliance Certificate
Exhibit D	Form of Legal Opinion of Company's Counsel
Exhibit E	Form of Assignment and Acceptance
Exhibit F	Form of Note
Exhibit G	Forms of Several Letter of Credit

CREDIT AGREEMENT

This CREDIT AGREEMENT is entered into as of [_____], 1994, among ABM INDUSTRIES INCORPORATED, a Delaware corporation (the "COMPANY"), the several financial institutions from time to time party to this Agreement (collectively, the "BANKS"; individually, a "BANK"), and BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as agent for the Banks.

WHEREAS, the Banks have agreed to make available to the Company a revolving credit facility including letters of credit upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 CERTAIN DEFINED TERMS. The following terms have the following meanings:

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

"ADJUSTED NET EQUITY PROCEEDS" for any period means (a) the aggregate market value of all consideration received by the Company or any of its Subsidiaries (other than consideration received or receivable from the Company or its then Subsidiaries) during such period in exchange for the sale of its equity securities or any warrant or right to subscribe thereto, LESS (b) all reasonable direct offering costs and other expenses of the Company or any of its Subsidiaries in connection with any such sale, and LESS (c) the aggregate amount paid by the Company in connection with Permitted Stock Repurchases during such period.

"AFFILIATE" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled

by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract, or otherwise.

"AGENT" means BofA in its capacity as agent for the Banks hereunder, and any successor agent arising under SECTION 10.9.

"AGENT-RELATED PERSONS" means BofA and any successor agent arising under SECTION 10.9 and any successor letter of credit issuing bank hereunder, together with their respective Affiliates (including, in the case of BofA, the Arranger), and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"AGENT'S PAYMENT OFFICE" means the address for payments set forth on the signature page hereto in relation to the Agent, or such other address as the Agent may from time to time specify.

"AGREEMENT" means this Credit Agreement.

"APPLICABLE MARGIN" means

- (i) with respect to Base Rate Loans, 0%; and
- (ii) with respect to Offshore Rate Loans, 0.45%.

"ARRANGER" means BA Securities, Inc., a Delaware corporation.

"ASSIGNEE" has the meaning specified in SECTION 11.8(a).

"ATTORNEY COSTS" means and includes all fees and disbursements of any law firm or other external counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

"BANK" has the meaning specified in the introductory clause hereto. References to the "Banks" shall include BofA, including in its capacity as Issuing Bank; for purposes of clarification only, to the extent that BofA may have any rights or obligations in addition to those of the Banks due to its status as Issuing Bank, its status as such will be specifically referenced.

"BANKRUPTCY CODE" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. Section 101, ET SEQ.).

"BASE RATE" means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BofA in San Francisco, California, as its "reference rate." (The "reference rate" is a rate set by BofA based upon various factors including BofA's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate.) Any change in the reference rate announced by BofA shall take effect at the opening of business on the day specified in the public announcement of such change.

"BASE RATE LOAN" means a Revolving Loan, or an L/C Advance, that bears interest based on the Base Rate.

"BOFA" means Bank of America National Trust and Savings Association, a national banking association.

"BORROWING" means a borrowing hereunder consisting of Revolving Loans of the same Type made to the Company on the same day by the Banks under Article II, and, other than in the case of Base Rate Loans, having the same Interest Period.

"BORROWING DATE" means any date on which a Borrowing occurs under SECTION 2.3.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City or San Francisco are authorized or required by law to close and, if the applicable Business Day relates to any Offshore Rate Loan, means such a day on which dealings are carried on in the applicable offshore dollar interbank market.

"CAPITAL ADEQUACY REGULATION" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any bank or of any corporation controlling a bank.

"CLOSING DATE" means the date on which this Agreement becomes effective pursuant to SECTION 5.1.

"CODE" means the Internal Revenue Code of 1986, and regulations promulgated thereunder.

"COMMITMENT" means, as to any Bank, the obligation of such Bank to make Revolving Loans to the Company and to participate in Letters of Credit in an aggregate principal amount of Loans and such Bank's Commitment Percentage of the Effective Amount of all Letters of Credit at any one time outstanding not exceeding the amount (a) set forth opposite such Bank's name on the signature pages hereof under the caption "Commitment" or (b) set forth in any applicable Assignment and Acceptance, as, in either case, the same may be reduced from time to time pursuant to SECTION 2.5 or SECTION 2.7 or as the same may be adjusted to give effect to any assignment under SECTION 11.8.

"COMMITMENT EXTENSION REQUEST" has the meaning set forth in SECTION 2.15.

"COMMITMENT PERCENTAGE" means, for any Bank with respect to its Commitment, the ratio of such Bank's Commitment to the aggregate of all the Banks' Commitments.

"COMPLIANCE CERTIFICATE" means a certificate substantially in the form of EXHIBIT C.

"CONSOLIDATED EBITDA" means, for any period, for the Company and its subsidiaries on a consolidated basis, the sum of (a) the net income (or net loss) for such period PLUS (b) depreciation and interest expense and the amortization of intangibles, PLUS (c) all accrued income taxes; without giving effect to extraordinary losses or extraordinary gains.

"CONSOLIDATED INTEREST CHARGES" means, for any period, the aggregate amount of interest accrued or paid by (without duplication) the Company on a consolidated basis during such period including (i) any interest accrued or paid during such period which is capitalized in accordance with GAAP, (ii) the portion of any obligation under capital leases allocable to interest expense in accordance with GAAP, and (iii) the portion of any debt discount that shall be amortized in such period.

"CONSOLIDATED NET INCOME" means for any period net income before extraordinary items for the Company determined in accordance with GAAP on a consolidated basis.

"CONSOLIDATED POSITIVE NET INCOME" means for any fiscal quarter the amount, if any, by which Consolidated Net Income for such fiscal quarter exceeded zero.

"CONTRACTUAL OBLIGATION" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of

trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"CONVERSION/CONTINUATION DATE" means any date on which, under SECTION 2.4, the Company (a) converts Loans of one Type to another Type, or (b) continues as Loans of the same Type, but with a new Interest Period, Loans having Interest Periods expiring on such date.

"CREDIT EXTENSION" means and includes (a) the making of any Revolving Loans hereunder, and (b) the Issuance of any Letters of Credit hereunder.

"DEFAULT" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"DOLLARS", "DOLLARS" and "\$" each mean lawful money of the United States.

"EFFECTIVE AMOUNT" means (i) with respect to any Revolving Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Revolving Loans occurring on such date; and (ii) with respect to any outstanding L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any Issuances of Letters of Credit occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any Letters of Credit or any reductions in the maximum amount available for drawing under Letters of Credit taking effect on such date.

"ELIGIBLE ASSIGNEE" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000, provided that such bank is acting through a branch or agency located in the United States; and (iii) a Person that is primarily engaged in the business of commercial banking and that is (A) a Subsidiary of a Bank, (B) a Subsidiary of a Person of which a Bank is a Subsidiary, or (C) a Person of which a Bank is a Subsidiary.

"ENVIRONMENTAL CLAIMS" means all claims, however asserted, by any Governmental Authority or other Person alleging

potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

"ENVIRONMENTAL LAWS" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, or safety matters.

"ERISA" means the Employee Retirement Income Security Act of 1974, and regulations promulgated thereunder.

"ERISA EVENT" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA or the commencement of proceedings by the PBGC to terminate a Pension Plan subject to Title IV of ERISA; (d) a failure by the Company to make required contributions to a Pension Plan or other Plan subject to Section 412 of the Code; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company; or (g) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Pension Plan.

"EURODOLLAR RESERVE PERCENTAGE" has the meaning specified in the definition of "Offshore Rate".

"EVENT OF DEFAULT" means any of the events or circumstances specified in SECTION 9.1.

"EXCHANGE ACT" means the Securities and Exchange Act of 1934, and regulations promulgated thereunder.

"EXISTING BOFA LETTERS OF CREDIT" means the letters of credit described in Part A of the Schedule of Letters of Credit.

"EXISTING NON-BOFA LETTERS OF CREDIT" means the letters of credit described in Part B of the Schedule of Letters of Credit.

"FDIC" means the Federal Deposit Insurance Corporation, and any Governmental Authority succeeding to any of its principal functions.

"FEDERAL FUNDS RATE" means, for any day, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Bank of New York (including any such successor, "H.15(519)") on the preceding Business Day opposite the caption "Federal Funds (Effective)"; or, if for any relevant day such rate is not so published on any such preceding Business Day, the rate for such day will be the arithmetic mean as determined by the Agent of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day by each of three leading brokers of Federal funds transactions in New York City selected by the Agent.

"FEE LETTER" has the meaning specified in SECTION 2.10(a).

"FIXED CHARGE COVERAGE RATIO" means for any period the ratio of (a) Consolidated EBITDA for such period to (b) the sum of (i) Consolidated Interest Charges, taxes paid, dividends paid and capital expenditures during such period and (ii) the current portion of long-term debt as of the end of such period.

"FRB" means the Board of Governors of the Federal Reserve System, and any Governmental Authority succeeding to any of its principal functions.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

"GOVERNMENTAL AUTHORITY" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"GUARANTEE" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing, securing, or otherwise providing assurances of the payment of any Indebtedness of any other Person and includes: (a) any Lien or any asset of such Person securing any such Indebtedness (and without regard to whether such Person has assumed personal liability with respect thereto), and (b) any obligation, direct or indirect, contingent or otherwise, of such Person: (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial condition, or otherwise); or (ii) entered into for the purpose of assuring in any other manner the holder of such Indebtedness of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part); PROVIDED that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"HONOR DATE" means with respect to any Letter of Credit a date on which any amount is paid under such Letter of Credit (a) by the Issuing Bank in the case of a Standard Letter of Credit or (b) by an L/C Bank in the case of a Several Letter of Credit.

"INDEBTEDNESS" of any Person means at any date, without duplication and without regard to whether matured or unmatured, absolute or contingent: (i) all obligations of such Person for borrowed money; (ii) all obligations of such Person evidenced by bonds, debentures, notes, or other similar instruments; (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (iv) all obligations of such Person as lessee under capital leases; (v) all obligations of such Person to reimburse or prepay any bank or other Person in respect of amounts paid under a letter of credit, banker's acceptance, or similar instrument, whether drawn or undrawn; (vi) all obligations of such Person to purchase securities which arise out of or in connection with the sale of the same or substantially similar securities; (vii) all obligations of such Person in connection with any agreement to purchase, redeem, exchange, convert or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock, now or hereafter outstanding, except to the extent that such obligations remain performable solely at the option of such Person; (viii) all obligations to repurchase assets previously sold (including any obligation to repurchase any accounts or chattel paper under any factoring, receivables

purchase, or similar arrangement); (ix) obligations of such Person under Swap Contracts or similar arrangements; and (x) all obligations of others of any type described in CLAUSE (i) through CLAUSE (x) above Guaranteed by such Person.

"INDEMNIFIED LIABILITIES" has the meaning specified in SECTION 11.5.

"INDEMNIFIED PERSON" has the meaning specified in SECTION 11.5.

"INDEPENDENT AUDITOR" has the meaning specified in SECTION 7.1(a).

"INSOLVENCY PROCEEDING" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshalling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, undertaken under U.S. Federal, state or foreign law, including the Bankruptcy Code.

"INTEREST PAYMENT DATE" means, as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and, as to any Base Rate Loan, the last Business Day of each calendar quarter and each date such Loan is converted into another Type of Loan, PROVIDED that if any Interest Period for an Offshore Rate Loan exceeds three months, the date that falls three months after the beginning of such Interest Period and after each Interest Payment Date thereafter is also an Interest Payment Date.

"INTEREST PERIOD" means, as to any Offshore Rate Loan, the period commencing on the Borrowing Date of such Loan or on the Conversion/Continuation Date on which the Loan is converted into or continued as an Offshore Rate Loan, and ending on the date one, two, three or six months thereafter as selected by the Company in its Notice of Borrowing or Notice of Conversion/Continuation;

PROVIDED that:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the following Business Day unless, in the case of an Offshore Rate Loan, the result of such extension would be to carry such Interest Period into another calendar month, in which

event such Interest Period shall end on the preceding Business Day;

(ii) any Interest Period pertaining to an Offshore Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period for any Loan shall extend beyond the Revolving Termination Date.

"IRS" means the Internal Revenue Service, and any Governmental Authority succeeding to any of its principal functions.

"ISSUANCE DATE" has the meaning specified in SECTION 3.1(a).

"ISSUE" means, with respect to any Letter of Credit, to incorporate the Existing BofA Letters of Credit into this Agreement, or to issue or to extend the expiry of, or to renew or increase the amount of, such Letter of Credit; and the terms "ISSUED," "ISSUING" and "ISSUANCE" have corresponding meanings.

"ISSUING BANK" means BofA in its capacity as issuer of one or more Standard Letters of Credit hereunder, together with any replacement letter of credit issuer arising under SECTION 10.1(b) or SECTION 10.9.

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

"L/C ADVANCE" means each Bank's participation in any L/C Borrowing in accordance with its Commitment Percentage.

"L/C AMENDMENT APPLICATION" means an application form for amendment of outstanding standby letters of credit as shall at any time be in use at the Issuing Bank, as the Issuing Bank shall request.

"L/C APPLICATION" means an application form for issuances of standby letters of credit as shall at any time be in use at the Issuing Bank, as the Issuing Bank shall request.

"L/C BANK" means (a) Issuing Bank with respect to a Standard Letter of Credit and (b) each Bank with respect to a Several Letter of Credit.

"L/C BORROWING" means an extension of credit resulting from a drawing under any Letter of Credit which shall not have been reimbursed on the date when made nor converted into a Borrowing of Revolving Loans under SECTION 3.3(a)(iv) OR (b)(iv).

"L/C OBLIGATIONS" means at any time the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, plus (b) the amount of all unreimbursed drawings under all Letters of Credit, including all outstanding L/C Borrowings.

"L/C-RELATED DOCUMENTS" means the Letters of Credit, the L/C Applications, the L/C Amendment Applications and any other document relating to any Letter of Credit, including any of the Issuing Bank's standard form documents for letter of credit issuances.

"LENDING OFFICE" means, as to any Bank, the office or offices of such Bank specified as its "Lending Office" or "Domestic Lending Office" or "Offshore Lending Office", as the case may be, with respect to such Bank in the signature pages hereof, in the Assignment and Acceptance, if any, pursuant to which such Bank became a party hereto, or such other office or offices as such Bank may from time to time notify the Company and the Agent.

"LETTER OF CREDIT" means a Standard Letter of Credit or a Several Letter of Credit.

"LEVERAGE RATIO" means at any time the ratio of (a) the Company's consolidated total liabilities to (b) the Company's consolidated net worth.

"LIEN" means any security interest, mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preferential arrangement of any kind or nature whatsoever in respect of any property (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a capital lease, any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the Uniform Commercial Code or any comparable law) and any contingent or other agreement to provide

any of the foregoing, but not including the interest of a lessor under an operating lease.

"LOAN" means an extension of credit by a Bank to the Company under ARTICLE II or ARTICLE III in the form of a Revolving Loan or L/C Advance.

"LOAN DOCUMENTS" means this Agreement, any Notes, the Fee Letters, the L/C-Related Documents, and all other documents delivered to the Agent or any Bank in connection herewith.

"MAJORITY BANKS" means at any time Banks then holding at least 66 2/3% of the then aggregate unpaid principal amount of the Loans, or, if no such principal amount is then outstanding, Banks then having at least 66 2/3% of the Commitments.

"MARGIN STOCK" means "margin stock" as such term is defined in Regulation G, T, U or X of the FRB.

"MATERIAL ADVERSE EFFECT" means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Company or the Company and its Subsidiaries taken as a whole; (b) a material impairment of the ability of the Company to perform under any Loan Document and to avoid any Event of Default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Company of any Loan Document.

"NOTE" means a promissory note executed by the Company in favor of a Bank pursuant to SECTION 2.2(b), in substantially the form of EXHIBIT F.

"NOTICE OF BORROWING" means a notice in substantially the form of EXHIBIT A.

"NOTICE OF CONVERSION/CONTINUATION" means a notice in substantially the form of EXHIBIT B.

"OBLIGATIONS" means all advances, debts, liabilities, obligations, covenants and duties arising under any Loan Document, owing by the Company to any Bank, the Agent, or any Indemnified Person, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising.

"OFFSHORE RATE" means, for any Interest Period with respect to Offshore Rate Loans comprising part of the same Borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Agent as follows:

Offshore Rate = $\frac{\text{IBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$

Where,

"EURODOLLAR RESERVE PERCENTAGE" means for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Bank) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities") having a term comparable to such Interest Period; and

"IBOR" means the rate of interest per annum determined by the Agent as the rate at which dollar deposits in the approximate amount of BofA's Offshore Rate Loan for such Interest Period would be offered by BofA's Grand Cayman Branch, Grand Cayman, B.W.I. (or such other office as may be designated for such purpose by BofA), to major banks in the offshore dollar interbank market at their request at approximately 10:00 a.m. (New York City time) two Business Days prior to the commencement of such Interest Period.

The Offshore Rate shall be adjusted automatically as to all Offshore Rate Loans then outstanding as of the effective date of any change in the Eurodollar Reserve Percentage.

"OFFSHORE RATE LOAN" means a Loan that bears interest based on the Offshore Rate.

"ORGANIZATION DOCUMENTS" means, for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation.

"OTHER TAXES" means any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Documents.

"PARTICIPANT" has the meaning specified in SECTION 11.8(d).

"PBGC" means the Pension Benefit Guaranty Corporation, or any Governmental Authority succeeding to any of its principal functions under ERISA.

"PENSION PLAN" means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five (5) plan years.

"PERMITTED LIENS" has the meaning specified in SECTION 8.1.

"PERMITTED STOCK REPURCHASES" means repurchases or redemptions by the Company of its capital stock for fair and reasonable consideration not exceeding in aggregate amount: (a) \$4,000,000 in any four consecutive fiscal quarter period, or (b) \$12,000,000 with respect to all such repurchases or redemptions made on or after the Closing Date.

"PERSON" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture or Governmental Authority.

"PLAN" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company sponsors or maintains or to which the Company makes, is making, or is obligated to make contributions and includes any Pension Plan.

"PRO RATA SHARE" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal, rounded to the ninth decimal place) at such time of such Bank's Commitment divided by the combined Commitments of all Banks.

"REFERENCE BANK" means BofA.

"REPORTABLE EVENT" means, any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

"REQUIREMENT OF LAW" means, as to any Person, any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon the Person or any of its property or to which the Person or any of its property is subject.

"RESPONSIBLE OFFICER" means the chief executive officer or the president of the Company, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants, the chief financial officer or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

"REVOLVING LOAN" has the meaning specified in SECTION 2.1, and may be a Base Rate Loan or an Offshore Rate Loan (each a "TYPE" of Revolving Loan).

"REVOLVING TERMINATION DATE" means the earlier of (a) September 22, 1998 or such later date to which the Revolving Termination Date is extended pursuant to SECTION 2.15 and (b) the date on which the aggregate Revolving Commitments shall terminate in accordance with the provisions of this Agreement.

"SCHEDULE OF ENVIRONMENTAL MATTERS" means SCHEDULE 4.

"SCHEDULE OF ERISA MATTERS" means SCHEDULE 3.

"SCHEDULE OF LETTERS OF CREDIT" means SCHEDULE 1.

"SCHEDULE OF LITIGATION" means SCHEDULE 2.

"SCHEDULE OF PERMITTED INDEBTEDNESS" means SCHEDULE 7.

"SCHEDULE OF PERMITTED LIENS" means SCHEDULE 6.

"SCHEDULE OF SUBSIDIARIES" means SCHEDULE 5.

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

"SEVERAL LETTER OF CREDIT" means a standby letter of credit issued by Banks severally pursuant to SECTION 3.1(a)(ii) and in the form of EXHIBIT G-1 or G-2 or otherwise in form acceptable to Agent and Majority Banks.

"STANDARD LETTER OF CREDIT" means (a) an Existing BofA Letter of Credit or (b) a standby letter of credit issued by Issuing Bank pursuant to SECTION 3.1(a)(i).

"SUBSIDIARY" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting stock or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one

or more of the Subsidiaries of the Person, or a combination thereof. Unless the context otherwise clearly requires, references herein to a "Subsidiary" refer to a Subsidiary of the Company.

"SURETY INSTRUMENTS" means all letters of credit (including standby and commercial), banker's acceptances, bank guaranties, shipside bonds, surety bonds and similar instruments.

"SWAP CONTRACTS" means swap agreements (as such term is defined in Section 101 of the Bankruptcy Code) and any other agreements or arrangements designed to provide protection against fluctuations in interest or currency exchange rates or commodity prices.

"TAXES" means any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank, Participant, and the Agent, such taxes (including income taxes or franchise taxes) as are imposed on or measured by each Bank's net income by the jurisdiction (or any political subdivision thereof) under the laws of which such Bank or the Agent, as the case may be, is organized or maintains a lending office.

"TYPE" has the meaning specified in the definition of "Revolving Loan."

"UCP" has the meaning specified in SECTION 3.9.

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

"WHOLLY-OWNED SUBSIDIARY" means any corporation in which (other than directors' qualifying shares required by law) 100% of the capital stock of each class having ordinary voting power, and 100% of the capital stock of every other class, in each case, at the time as of which any determination is being made, is owned, beneficially and of record, by the Company, or by one or more of the other Wholly-Owned Subsidiaries, or both.

Section 1.2 OTHER INTERPRETIVE PROVISIONS.

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

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) (i) The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(ii) The term "including" is not limiting and means "including without limitation."

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

(d) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(e) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(f) This Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters. All such limitations, tests and measurements are cumulative and shall each be performed in accordance with their terms.

(g) This Agreement and the other Loan Documents are the result of negotiations among and has been reviewed by counsel to the Agent, the Company and the other parties, and are the products of all parties. Accordingly, they shall not be construed against the Banks or the Agent merely because of the Agent's or Banks' involvement in their preparation.

Section 1.3 ACCOUNTING PRINCIPLES.

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed,

and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied.

(b) References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

ARTICLE II

THE CREDITS

Section 2.1 AMOUNTS AND TERMS OF COMMITMENTS. Each Bank severally agrees, on the terms and conditions set forth herein, to make loans to the Company (each such loan, a "REVOLVING LOAN") from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding such Bank's Commitment; PROVIDED that, after giving effect to any Borrowing of Revolving Loans, the Effective Amount of all outstanding Revolving Loans and the Effective Amount of all L/C Obligations, shall not at any time exceed the combined Commitments of the Banks; and PROVIDED FURTHER that the Effective Amount of the Revolving Loans of any Bank plus the participation of such Bank in the Effective Amount of all L/C Obligations shall not at any time exceed such Bank's Commitment. Within the limits of each Bank's Commitment, and subject to the other terms and conditions hereof, the Company may borrow under this SECTION 2.1, prepay under SECTION 2.6 and reborrow under this SECTION 2.1.

Section 2.2 LOAN ACCOUNTS.

(a) The Loans made by each Bank and the Letters of Credit Issued by the Issuing Bank shall be evidenced by one or more accounts or records maintained by such Bank or Issuing Bank, as the case may be, in the ordinary course of business. The accounts or records maintained by the Agent, the Issuing Bank and each Bank shall be conclusive absent manifest error of the amount of the Loans made by the Banks to the Company and the Letters of Credit Issued for the account of the Company, and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans or any Letter of Credit.

(b) Upon the request of any Bank made through the Agent, the Loans made by such Bank may be evidenced by one or more Notes, instead of loan accounts. Each such Bank shall endorse on the schedules annexed to its Note(s) the date, amount and maturity of each Loan made by it and the amount of each payment of principal made by the Company with respect thereto.

Each such Bank is irrevocably authorized by the Company to endorse its Note(s) and each Bank's record shall be conclusive absent manifest error; PROVIDED that the failure of a Bank to make, or an error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the obligations of the Company hereunder or under any such Note to such Bank.

Section 2.3 PROCEDURE FOR BORROWING.

(a) Each Borrowing of Revolving Loans shall be made upon the Company's irrevocable written notice (or notice by telephone, immediately confirmed by the Company by telefacsimile) delivered to the Agent in the form of a Notice of Borrowing (which notice must be received by the Agent prior to 9:00 a.m. (California time)) (i) three Business Days prior to the requested Borrowing Date, in the case of Offshore Rate Loans, and (ii) on the requested Borrowing Date, in the case of Base Rate Loans, specifying:

(A) the amount of the Borrowing, which shall be in an aggregate minimum amount of \$2,000,000 or any multiple of \$1,000,000 in excess thereof;

(B) the requested Borrowing Date, which shall be a Business Day;

(C) the Type of Loans comprising the Borrowing; and

(D) the duration of the Interest Period applicable to the Offshore Rate Loans, if any, included in such notice. If the Notice of Borrowing fails to specify the duration of the Interest Period for any Borrowing comprised of Offshore Rate Loans, such Interest Period shall be three months.

PROVIDED that with respect to the Borrowing to be made on the Closing Date, the Notice of Borrowing shall be delivered to the Agent not later than 9:00 a.m. (California time) on the Closing Date and such Borrowing will consist of Base Rate Loans only.

(b) The Agent will promptly notify each Bank of its receipt of any Notice of Borrowing and of the amount of such Bank's Commitment Percentage of that Borrowing.

(c) Each Bank will make the amount of its Commitment Percentage of each Borrowing available to the Agent for the account of the Company at the Agent's Payment Office by 11:00 a.m. (California time) on the Borrowing Date requested by the Company in funds immediately available to the Agent. The proceeds of all such Loans will then be made available to the

Company by the Agent at such office by crediting the account of the Company on the books of BofA with the aggregate of the amounts made available to the Agent by the Banks or by wire transfer in accordance with written instructions provided to the Agent by the Company at the time of the giving Notice of Borrowing and in either case, in like funds as received by the Agent.

(d) After giving effect to any Borrowing, there may not be more than 7 different Interest Periods in effect.

Section 2.4 CONVERSION AND CONTINUATION ELECTIONS.

(a) The Company may, upon irrevocable written notice to the Agent in accordance with SECTION 2.4(b):

(i) elect, as of any Business Day, in the case of Base Rate Loans, or as of the last day of the applicable Interest Period, in the case of any other Type of Revolving Loans, to convert any such Loans (or any part thereof in an amount not less than \$2,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof) into Loans of any other Type; or

(ii) elect as of the last day of the applicable Interest Period, to continue any Revolving Loans having Interest Periods expiring on such day (or any part thereof in an amount not less than \$2,000,000, or that is in an integral multiple of \$1,000,000 in excess thereof);

PROVIDED that if at any time the aggregate amount of Offshore Rate Loans in respect of any Borrowing is reduced, by payment, prepayment, or conversion of part thereof to be less than \$1,000,000, such Offshore Rate Loans shall automatically convert into Base Rate Loans, and on and after such date the right of the Company to continue such Loans as, and convert such Loans into, Offshore Rate Loans shall terminate.

(b) The Company shall deliver a Notice of Conversion/Continuation to be received by the Agent not later than 9:00 a.m. (California time) at least (i) three Business Days in advance of the Conversion/Continuation Date, if the Loans are to be converted into or continued as Offshore Rate Loans, and (ii) on the Conversion/Continuation Date, if the Loans are to be converted into Base Rate Loans, specifying:

(A) the proposed Conversion/Continuation Date;

(B) the aggregate amount of Loans to be converted or renewed;

(C) the Type of Loans resulting from the proposed conversion or continuation; and

(D) other than in the case of conversions into Base Rate Loans, the duration of the requested Interest Period.

(c) If upon the expiration of any Interest Period applicable to Offshore Rate Loans, the Company has failed to select timely a new Interest Period to be applicable to such Offshore Rate Loans, the Company shall be deemed to have elected to convert such Offshore Rate Loans into Base Rate Loans effective as of the expiration date of such Interest Period.

(d) The Agent will promptly notify each Bank of its receipt of a Notice of Conversion/Continuation, or, if no timely notice is provided by the Company, the Agent will promptly notify each Bank of the details of any automatic conversion. All conversions and continuations shall be made ratably according to the respective outstanding principal amounts of the Loans with respect to which the notice was given held by each Bank.

(e) Unless the Majority Banks otherwise agree, during the existence of an Event of Default, the Company may not elect to have a Loan converted into or continued as an Offshore Rate Loan.

(f) After giving effect to any conversion or continuation of Loans, there may not be more than 7 different Interest Periods in effect.

Section 2.5 VOLUNTARY TERMINATION OR REDUCTION OF COMMITMENTS. The Company may, upon not less than 3 Business Days' prior notice to the Agent, terminate the Commitments, or permanently reduce the Commitments by an aggregate minimum amount of \$10,000,000 or any multiple of \$1,000,000 in excess thereof; UNLESS, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the Effective Amount of all Revolving Loans and L/C Obligations together would exceed the amount of the combined Commitments then in effect. Once reduced in accordance with this Section, the Commitments may not be increased. Any reduction of the Commitments shall be applied to each Bank according to its Pro Rata Share. All accrued commitment and letter of credit fees to, but not including, the effective date of any reduction or termination of Commitments, shall be paid on the effective date of such reduction or termination.

Section 2.6 OPTIONAL PREPAYMENTS. Subject to SECTION 4.4, the Company may, at any time or from time to time, upon not less than 5 Business Days' irrevocable notice to the Agent, ratably prepay Loans in whole or in part, in minimum amounts of \$2,000,000 or any multiple of \$1,000,000 in excess thereof. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid. The Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If such notice is given by the Company, the Company shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to each such date on the amount prepaid and any amounts required pursuant to SECTION 4.4.

Section 2.7 MANDATORY PREPAYMENTS OF LOANS; MANDATORY COMMITMENT REDUCTIONS. If on any date the Effective Amount of all Revolving Loans then outstanding plus the Effective Amount of all L/C Obligations exceeds the combined Commitments of the Banks, the Company shall immediately, and without notice or demand, (a) prepay the outstanding principal amount of the Revolving Loans and L/C Advances by an amount equal to the applicable excess; together with any amounts required to be paid incident thereto pursuant to SECTION 4.4, and (b) if any such excess remains after giving effect to such prepayments, the Company shall deposit with or deliver to the Agent, for the benefit of the Agent, the Issuing Bank and the Banks, as collateral for the L/C Obligations, cash or deposit account balances pursuant to documentation in form and substance satisfactory to the Agent and the Issuing Bank (which documents are hereby consented to by the Banks) on such date in an amount equal to the excess of the maximum amount then available to be drawn under the Letters of Credit over the aggregate Commitments. Cash collateral shall be maintained in blocked deposit accounts at BofA.

Section 2.8 REPAYMENT. The Company shall repay to the Banks in full on the Revolving Termination Date the aggregate principal amount of Loans outstanding on such date.

Section 2.9 INTEREST.

(a) Each Revolving Loan shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Offshore Rate or the Base Rate, as the case may be (and subject to the Company's right to convert to other Types of Loans under SECTION 2.4), PLUS the Applicable Margin.

(b) Interest on each Revolving Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of Loans under SECTIONS 2.6 or 2.7 for the portion of the Loans so prepaid and upon payment (including prepayment) in full thereof and, during the existence of any Event of Default, interest shall be paid on demand of the Agent at the request or with the consent of the Majority Banks.

(c) Notwithstanding SUBPARAGRAPH (a) of this Section, while any Event of Default exists or after acceleration, the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all outstanding Loans and L/C Advances, at a rate per annum which is determined by adding 2% per annum to the Applicable Margin then in effect for such Loans and, in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the Base Rate plus 2%; PROVIDED that, on and after the expiration of any Interest Period applicable to any Offshore Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Base Rate plus 2%.

Section 2.10 FEES. In addition to certain fees described in SECTION 3.8:

(a) ARRANGEMENT, AGENCY, ISSUING BANK FEES. The Company shall pay an arrangement fee to the Arranger for the Arranger's own account, shall pay an agency fee to the Agent for the Agent's own account, and shall pay a fronting fee to Issuing Bank for the Issuing Bank's account, as required by the letter agreement ("FEE LETTER") between the Company and the Arranger, the Agent and the Issuing Bank dated September 22, 1994.

(b) COMMITMENT FEES. The Company shall pay to the Agent for the account of each Bank a commitment fee equal to 0.15% per annum of the average daily unused portion of such Bank's Commitment, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon the daily utilization for that quarter as calculated by the Agent. For purposes of calculating utilization under this section, the Commitments shall be deemed used to the extent of the Effective Amount of Revolving Loans then outstanding, plus the Effective Amount of L/C Obligations then outstanding. Such commitment fee shall accrue from the Closing Date to the Revolving Termination Date and shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter commencing on September 30, 1994 through the Revolving Termination Date, with the final payment to be made on the Revolving Termination Date;

PROVIDED that, in connection with any reduction or termination of Commitments under SECTION 2.5 or SECTION 2.7, the accrued commitment fee calculated for the period ending on such date shall also be paid on the date of such reduction or termination, with the following quarterly payment being calculated on the basis of the period from such reduction or termination date to such quarterly payment date. The commitment fees provided in this section shall accrue at all times after the above-mentioned commencement date, including at any time during which one or more conditions in Article V are not met.

Section 2.11 COMPUTATION OF FEES AND INTEREST.

(a) All computations of interest for Base Rate Loans when the Base Rate is determined by BofA's "reference rate" and commitment fees payable pursuant to SECTION 2.10(b) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more interest being paid than if computed on the basis of a 365-day year). Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Each determination of an interest rate by the Agent shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

Section 2.12 PAYMENTS BY THE COMPANY.

(a) All payments to be made by the Company shall be made without set-off, recoupment or counterclaim. Except as otherwise expressly provided herein, all payments by the Company shall be made to the Agent for the account of the Banks at the Agent's Payment Office, and shall be made in dollars and in immediately available funds, no later than 11:00 a.m. (California time) on the date specified herein. The Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as expressly provided herein) of such payment in like funds as received. Any payment received by the Agent later than 11:00 a.m. (California time) shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue.

(b) Subject to the provisions set forth in the definition of "Interest Period" herein, whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time

shall in such case be included in the computation of interest or fees, as the case may be.

(c) Unless the Agent receives notice from the Company prior to the date on which any payment is due to the Banks that the Company will not make such payment in full as and when required, the Agent may assume that the Company has made such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent the Company has not made such payment in full to the Agent, each Bank shall repay to the Agent on demand such amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

Section 2.13 PAYMENTS BY THE BANKS TO THE AGENT.

(a) Unless the Agent receives notice from a Bank on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one Business Day prior to the date of such Borrowing in the case of Offshore Rate Borrowing and within one hour of receipt of the Notice of Borrowing in the case of a Base Rate Borrowing, that such Bank will not make available as and when required hereunder to the Agent for the account of the Company the amount of that Bank's Pro Rata Share of the Borrowing, the Agent may assume that each Bank has made such amount available to the Agent in immediately available funds on the Borrowing Date and the Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Company such amount, that Bank shall on the Business Day following such Borrowing Date make such amount available to the Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Agent submitted to any Bank with respect to amounts owing under this section (a) shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Borrowing Date, the Agent will notify the Company of such failure to fund and, upon demand by the Agent, the Company shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

(b) The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on any Borrowing Date.

Section 2.14 SHARING OF PAYMENTS, ETC. If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) in excess of its Pro Rata Share, such Bank shall immediately (a) notify the Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause such purchasing Bank to share the excess payment pro rata with each of them; PROVIDED that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off, but subject to SECTION 11.9) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

Section 2.15 EXTENSION OF COMMITMENTS. On or after the second anniversary of the Closing Date, but not less than 90 days prior to the then effective Revolving Termination Date, the Borrower may, after consultation with the Agent, request that the Revolving Termination Date be extended for an additional year by giving the Agent notice of such request (a "Commitment Extension Request"), and upon the proper and timely receipt by the Agent of any such Commitment Extension Request, the Agent shall promptly notify each Bank of the contents thereof, which notification shall include a copy of such Commitment Extension Request, and not less than 60 days prior to the then effective Revolving Termination Date, each Bank shall notify the Agent whether such Bank approves or disapproves such Commitment Extension Request. The failure by any Bank to give such notice

to Agent by such date shall be deemed to constitute disapproval by such Bank. If all Banks have notified Agent of their approval of a Commitment Extension Request as above provided then promptly upon receipt of the requisite notifications, the Agent shall give the Company notice thereof and upon the giving of such notice, Revolving Termination Date shall be extended to the next succeeding anniversary of the Revolving Termination Date; PROVIDED that unless notice of such extension is given by the Agent to the Company not less than 30 days prior to the then effective Revolving Termination Date, such Commitment Extension Request shall be deemed disapproved by all Banks.

ARTICLE III

THE LETTERS OF CREDIT

Section 3.1 LETTERS OF CREDIT SUBFACILITY.

(a) On the terms and conditions set forth herein from time to time on any Business Day during the period from the Closing Date to the Revolving Termination Date (i) the Issuing Bank agrees to issue Standard Letters of Credit for the account of the Company, (ii) each L/C Bank agrees to severally join in the Issuance of Several Letters of Credit for the account of the Company, (iii) in the case of either (i) or (ii) each L/C Bank agrees (A) to amend or renew Letters of Credit previously issued by it, in accordance with SECTIONS 3.2(a)(iii) AND (iv) and (b)(ii), and (B) to honor drafts under the Letters of Credit; and (iv) in the case of either (i) or (ii) each Bank severally agrees to participate in Letters of Credit Issued for the account of the Company; PROVIDED that no L/C Bank shall be obligated to Issue, and no Bank shall be obligated to participate in, any Letter of Credit if as of the date of Issuance of such Letter of Credit (the "ISSUANCE DATE") (1) the Effective Amount of all L/C Obligations plus the Effective Amount of all Revolving Loans exceeds the combined Commitments of the Banks or (2) the participation of any Bank in the Effective Amount of all L/C Obligations plus the Effective Amount of the Revolving Loans of such Bank exceeds such Bank's Commitment. Within the foregoing limits, and subject to the other terms and conditions hereof, the Company's ability to obtain Letters of Credit shall be fully revolving, and, accordingly, the Company may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit which have expired or which have been drawn upon and reimbursed.

(b) No L/C Bank is under any obligation to Issue any Letter of Credit if:

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

(ii) such L/C Bank has received written notice from any Bank, the Agent or the Company, on or prior to the Business Day prior to the requested date of Issuance of such Letter of Credit, that one or more of the applicable conditions contained in ARTICLE V is not then satisfied;

(iii) the expiry date of any requested Letter of Credit is (A) more than one year after the date of Issuance (subject, however to successive extensions for periods of one year or less at the option of such L/C Bank under "evergreen" or similar provisions), unless the Majority Banks have approved such expiry date in writing, or (B) more than one year after the Revolving Termination Date, unless all of the Banks have approved such expiry date in writing;

(iv) any requested Letter of Credit does not provide for drafts, or is not otherwise in form and substance acceptable to the Issuing Bank in the case of Standard Letters of Credit and Majority Banks in the case of Several Letters of Credit, or the Issuance of a Letter of Credit shall violate any applicable policies of the Issuing Bank in the case of Standard Letters of Credit and Majority Banks in the case of Several Letters of Credit;

(v) any Letter of Credit is for the purpose of supporting the issuance of any letter of credit by any other Person; or

(vi) such Letter of Credit is in a face amount less than \$3,000,000 in the case of a Several Letter of Credit or to be denominated in a currency other than Dollars.

Section 3.2 ISSUANCE, AMENDMENT AND RENEWAL OF LETTERS OF CREDIT.

(a) The following is applicable to Standard Letters of Credit:

(i) Each Standard Letter of Credit shall be issued upon the irrevocable written request of the Company received by the Issuing Bank (with a copy sent by the Company to the Agent) at least four Business Days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of issuance. Each such request for issuance of a Standard Letter of Credit shall be by facsimile, confirmed immediately in an original writing, in the form of an L/C Application, and shall specify in form and detail satisfactory to the Issuing Bank: (A) the proposed date of issuance of the Standard Letter of Credit (which shall be a Business Day); (B) the face amount of the Standard Letter of Credit; (C) the expiry date of the Standard Letter of Credit; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by the beneficiary of the Standard Letter of Credit in case of any drawing thereunder; (F) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (G) such other matters as the Issuing Bank may require.

(ii) At least two Business Days prior to the Issuance of any Standard Letter of Credit, the Issuing Bank will confirm with the Agent (by telephone or in writing) that the Agent has received a copy of the L/C Application or L/C Amendment Application from the Company and, if not, the Issuing Bank will provide the Agent with a copy thereof. Unless the Issuing Bank has received notice on or before the Business Day immediately preceding the date the Issuing Bank is to issue a requested Standard Letter of Credit from the Agent (A) directing the Issuing Bank not to issue such Standard Letter of Credit because such issuance is not then permitted under SECTION 3.1(a) as a result of the limitations set forth in CLAUSES (1) and (2) thereof or SECTION 3.1(b)(ii); or (B) that one or more conditions specified in ARTICLE V are not then satisfied; then, subject to the terms and conditions hereof, the Issuing Bank shall, on the requested date, issue a Standard Letter of Credit for the account of the Company in accordance with the Issuing Bank's usual and customary business practices.

(iii) From time to time while a Standard Letter of Credit is outstanding and prior to the Revolving Termination Date, the Issuing Bank will, upon the written request of the Company received by the Issuing Bank (with a copy sent by the Company to the Agent) at least five Business Days (or such shorter time as the Issuing Bank may agree in a particular instance in its sole discretion) prior to the proposed date of amendment, amend any Standard Letter of Credit issued by it.

Each such request for amendment of a Standard Letter of Credit shall be made by facsimile, confirmed immediately in an original writing, made in the form of an L/C Amendment Application and shall specify in form and detail satisfactory to the Issuing Bank: (A) the Standard Letter of Credit to be amended; (B) the proposed date of amendment of the Letter of Credit (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Issuing Bank may require. The Issuing Bank shall be under no obligation to amend any Standard Letter of Credit if: (1) the Issuing Bank would have no obligation at such time to issue such Standard Letter of Credit in its amended form under the terms of this Agreement; or (2) the beneficiary of any such Standard Letter of Credit does not accept the proposed amendment to the Standard Letter of Credit. The Agent will promptly notify the Banks of the receipt by it of any L/C Application or L/C Amendment Application.

(iv) The Issuing Bank shall be entitled to authorize (or take no action to prevent) the automatic renewal of any Standard Letter of Credit issued by it. The Issuing Bank shall be under no obligation so to renew any Standard Letter of Credit if: (1) the Issuing Bank would have no obligation at such time to issue or amend such Standard Letter of Credit in its renewed form under the terms of this Agreement; or (2) the beneficiary of any such Standard Letter of Credit does not accept the proposed renewal of the Standard Letter of Credit. If any outstanding Standard Letter of Credit shall provide that it shall be automatically renewed unless the beneficiary thereof receives notice from the Issuing Bank that such Letter of Credit shall not be renewed, and if at the time of renewal the Issuing Bank would be entitled to authorize the automatic renewal of such Standard Letter of Credit in accordance with this SECTION 3.2(a)(iv) upon the request of the Company but the Issuing Bank shall not have received any L/C Amendment Application from the Company with respect to such renewal or other written direction by the Company with respect thereto, the Issuing Bank shall nonetheless be permitted to allow such Standard Letter of Credit to renew, and the Company and the Banks hereby authorize such renewal, and, accordingly, the Issuing Bank shall be deemed to have received an L/C Amendment Application from the Company requesting such renewal.

(v) The Issuing Bank may, at its election (or as required by the Agent at the direction of the Majority Banks), deliver any notices of non-renewal, termination or other communications to any Standard Letter of Credit beneficiary or transferee, and take any other action as necessary or appropriate, at any time and from time to time, in order to cause the expiry date of such Letter of Credit to be a date not later than one year after the Revolving Termination Date.

(vi) The Issuing Bank will also deliver to the Agent, concurrently or promptly following its delivery of a Standard Letter of Credit, or amendment to or renewal of a Standard Letter of Credit, to an advising bank or a beneficiary, a true and complete copy of each such Standard Letter of Credit or amendment to or renewal of a Standard Letter of Credit.

(b) The following is applicable to Several Letters of Credit:

(i) Each Several Letter of Credit shall be issued upon the irrevocable written request of the Company received by the Agent at least five Business Days prior to the proposed Issuance Date. Each such request for issuance of a Letter of Credit shall be by facsimile, confirmed immediately in an original writing, in the form of an L/C Application, and shall specify in form and detail satisfactory to the Agent: (A) the proposed date of issuance of the Several Letter of Credit (which shall be a Business Day); (B) the face amount of the Several Letter of Credit; (C) the expiry date of the Several Letter of Credit; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by the beneficiary of the Several Letter of Credit in case of any drawing thereunder; (F) the full text of any certificate to be presented by the beneficiary in case of any drawing thereunder; and (G) such other matters as the Agent may require. The Agent shall promptly give notice to each Bank of such written request received by the Agent from the Company for issuance of the Several Letter of Credit. Subject to the receipt of such notice, each Bank shall severally issue the Several Letter of Credit by delivering to the Agent such Bank's counterpart signature page to the Several Letter of Credit, and not later than 12:00 noon (California time) on the proposed Issuance Date. Upon receipt by the Agent of the counterpart signature pages of each Bank, the Agent will promptly deliver such Several Letter of Credit to the beneficiary thereof.

(ii) From time to time while a Several Letter of Credit is outstanding and prior to the Revolving Termination Date, the Banks will, upon the irrevocable written request of the Company received by the Agent at least five Business Days prior to the proposed date of amendment, severally amend such Several Letter of Credit solely to extend the expiry date thereof to a date no later than one year after the Revolving Termination Date. Each such request for amendment of the Letter of Credit shall be by facsimile, confirmed immediately in an original writing, in the form of an L/C Amendment Application. The Agent shall promptly give notice to each Bank of such written request received by the Agent from the Company for amendment of such Several Letter of Credit. No Bank shall be under any obligation to amend such Several Letter of Credit if: (A) the

Bank would have no obligation at such time to issue such Several Letter of Credit in its amended form under the terms of this Agreement; or (B) the beneficiary of such Several Letter of Credit does not accept the proposed amendment to such Several Letter of Credit. Subject to the foregoing, and to the receipt of such notice from the Agent, each Bank shall severally issue the amendment to such Several Letter of Credit by delivering to the Agent such Bank's counterpart signature page to the amendment to such Several Letter of Credit not later than 12:00 noon (California time) on the proposed date of amendment. Upon receipt by the Agent of such counterpart signature pages of each Bank, the Agent will promptly deliver the amendment to such Several Letter of Credit to the beneficiary thereof.

(c) This Agreement shall control in the event of any conflict with any L/C-Related Document (other than a Letter of Credit).

Section 3.3 EXISTING BOFA LETTERS OF CREDIT; RISK PARTICIPATIONS, DRAWINGS AND REIMBURSEMENTS.

(a) The following is applicable to Standard Letters of Credit:

(i) On and after the Closing Date, the Existing BofA Letters of Credit shall be deemed for all purposes, including for purposes of the fees to be collected pursuant to SECTIONS 3.8(a) and 3.8(b), and reimbursement of costs and expenses to the extent provided herein, Standard Letters of Credit outstanding under this Agreement and entitled to the benefits of this Agreement and the other Loan Documents, and shall be governed by the applications and agreements pertaining thereto and by this Agreement. Each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank on the Closing Date a participation in each such Standard Letter of Credit and each drawing thereunder in an amount equal to the product of (i) such Bank's Commitment Percentage times (ii) the maximum amount available to be drawn under such Standard Letter of Credit and the amount of such drawing, respectively. For purposes of SECTIONS 2.1 and 2.10(b), the Existing BofA Letters of Credit shall be deemed to utilize pro rata the Commitment of each Bank.

(ii) Immediately upon the Issuance of each Standard Letter of Credit in addition to those described in SECTION 3.3(a)(i), each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Issuing Bank a participation in such Standard Letter of Credit and each drawing thereunder in an amount equal to the product of (A) the Commitment Percentage of such Bank, times (B) the maximum

amount available to be drawn under such Standard Letter of Credit and the amount of such drawing, respectively. For purposes of SECTION 2.1, each Issuance of a Standard Letter of Credit shall be deemed to utilize the Commitment of each Bank by an amount equal to the amount of such participation.

(iii) In the event of any request for a drawing under a Standard Letter of Credit by the beneficiary or transferee thereof, the Issuing Bank will promptly notify the Company with a copy to the Agent. The Company shall reimburse the Issuing Bank prior to 10:00 a.m. (California time), on each Honor Date under each Standard Letter of Credit, in an amount equal to the amount paid on such Honor Date by the Issuing Bank. In the event the Company fails to reimburse the Issuing Bank for the full amount of any drawing under any Standard Letter of Credit by 10:00 a.m. (California time) on the Honor Date, the Issuing Bank will promptly notify the Agent and the Agent will promptly notify each Bank thereof, and the Company shall be deemed to have requested that Base Rate Loans be made by the Banks to be disbursed on the Honor Date under such Standard Letter of Credit, subject to the amount of the unutilized portion of the Revolving Commitment and subject to the conditions set forth in SECTION 5.2. Any notice given by the Issuing Bank or the Agent pursuant to this SECTION 3.3(a)(iii) may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(iv) Each Bank shall upon any notice pursuant to SECTION 3.3(a)(iii) make available to the Agent for the account of the Issuing Bank an amount in Dollars and in immediately available funds equal to its Commitment Percentage of the amount of the drawing, whereupon the participating Banks shall (subject to SECTION 3.3(a)(v)) each be deemed to have made a Revolving Loan consisting of a Base Rate Loan to the Company in that amount. If any Bank so notified fails to make available to the Agent for the account of the Issuing Bank the amount of such Bank's Commitment Percentage of the amount of the drawing by no later than 12:00 noon (California time) on the Honor Date, then interest shall accrue on such Bank's obligation to make such payment, from the Honor Date to the date such Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this SECTION 3.3(a).

(v) With respect to any unreimbursed drawing that is not converted into Revolving Loans consisting of Base Rate Loans to the Company in whole or in part, because of the Company's failure to satisfy the conditions set forth in SECTION 5.2 or for any other reason, the Company shall be deemed to have incurred from the Issuing Bank an L/C Borrowing in the amount of such drawing, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Base Rate plus 2% per annum, and each Bank's payment to the Issuing Bank pursuant to SECTION 3.3(a)(iv) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Bank in satisfaction of its participation obligation under this SECTION 3.3(a).

(vi) Each Bank's obligation in accordance with this Agreement to make the Revolving Loans or L/C Advances, as contemplated by this SECTION 3.3(a), as a result of a drawing under a Standard Letter of Credit, shall be absolute and unconditional and without recourse to the Issuing Bank and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Issuing Bank, the Company or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (C) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; PROVIDED that each Bank's obligation to make Revolving Loans under this SECTION 3.3(A) is subject to the conditions set forth in SECTION 5.2.

(b) The following is applicable to Several Letters of Credit:

(i) In the event of any request for a drawing under any Several Letter of Credit by the beneficiary thereof, the Agent will promptly notify the Company and each Bank. The Agent will promptly transmit, by facsimile (confirmed promptly by telephonic notice) followed by overnight express mailing with all charges prepaid, to each Bank at its Lending Office, or other office or offices as designated by such Bank, copies of all drafts and documents presented by the beneficiary under the Several Letter of Credit, and will notify each Bank of the date payment is to be made to the beneficiary thereof as a result of such drawing under the Several Letter of Credit (such date determined in accordance with the terms of the Several Letter of Credit). Each Bank shall notify the Agent, not later than 11:00 a.m. (California time) on the date payment is to be made to the beneficiary thereof as a result of such drawing under the Several Letter of Credit, that (A) such Bank has determined

that it will make payment under the Several Letter of Credit, or (B) such Bank has determined that it will not make payment under the Several Letter of Credit, and give the reasons for such determination. In the event the Agent receives notice from a Bank under CLAUSE (B) of this section, the Agent shall as soon as practicable notify the beneficiary and the Company of the determination of such Bank and the reasons given by such Bank therefor.

(ii) Each Bank shall make available to the Agent, not later than 12:00 noon (California time) on the date on which payment is to be made to the beneficiary as a result of a drawing under a Several Letter of Credit, (A) such Bank's Commitment Percentage, times (B) the amount of the drawing made by such beneficiary. The Agent shall then promptly disburse to such beneficiary all amounts so received from the Banks.

(iii) The Company shall reimburse the Agent, for the account of each Bank, prior to 1:00 p.m. (California time), on each Honor Date under each Several Letter of Credit in an amount equal to the amount paid on such Honor Date by such Bank. In the event that more than one Bank makes a payment under the Several Letter of Credit on the Honor Date, any reimbursements from the Company shall be made to the Agent, for the account of such Banks paying on such Honor Date, in proportion to the amounts so paid by such Banks. In the event the Company fails to reimburse the Agent for the account of all such Banks for the full amount of any payment made by such Banks in respect of any drawing under the Several Letter of Credit by 1:00 p.m. (California time) on the Honor Date, the Agent will promptly notify each such Bank thereof, and the Company shall be deemed to have requested that Base Rate Loans in an aggregate amount equal to such unreimbursed amount be made by the Banks to be disbursed on the Honor Date, subject to the amount of the unutilized portion of the Commitment and subject to the conditions set forth in SECTION 5.2. Any notice given by the Agent pursuant to this SECTION 3.3(b)(iii) may be oral if immediately confirmed in writing (including by facsimile); provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(iv) If all of the Banks have paid their pro rata share of the draw request under the Several Letter of Credit, but subject to SECTION 3.3(b)(v) and the PROVISIO in SECTION 3.3(b)(vi), then each Bank shall upon any notice pursuant to SECTION 3.3(b)(iii) be deemed to have made a Revolving Loan consisting of a Base Rate Loan to the Company equal to its Commitment Percentage of the amount of the unreimbursed drawing. If one or more of the Banks shall not have paid its pro rata share of the draw request under the Several Letter of Credit on

the date on which payment is due thereunder (a "NON-HONORING BANK"), but subject to SECTION 3.3(B)(V) and the PROVISIO in SECTION 3.3(B)(VI), each Non-Honoring Bank shall upon any notice pursuant to SECTION 3.3(B)(III) make available to the Agent for the account of the Banks which have so paid their pro rata share of the draw request under the Letter of Credit (the "HONORING BANKS") an amount in Dollars and in immediately available funds equal to such Non-Honoring Bank's Commitment Percentage of the amount of the unreimbursed drawing paid by each Honoring Bank on the Honor Date, whereupon the Banks shall (subject to SECTION 3.3(B)(V) and the PROVISIO in SECTION 3.3(B)(VI)) each be deemed to have made a Revolving Loan consisting of a Base Rate Loan to the Company equal to its Commitment Percentage of the amount of the unreimbursed drawing. If any Non-Honoring Bank so notified fails to make available to the Agent for the account of the Honoring Banks the amount of such Non-Honoring Bank's Commitment Percentage of the amount of the reimbursed drawing by no later than 2:00 p.m. (California time) on the Honor Date, then interest shall accrue on the Honor Date to the date such Non-Honoring Bank makes such payment, at a rate per annum equal to the Federal Funds Rate in effect from time to time during such period. The Agent will promptly give notice of the occurrence of the Honor Date, but failure of the Agent to give any such notice on the Honor Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligations under this SECTION 3.3(B).

(v) With respect to any unreimbursed drawing that is not converted into Revolving Loans consisting of Base Rate Loans to the Company in whole or in part, because of the Company's failure to satisfy the conditions set forth in SECTION 5.2 or for any other reason, the Company shall be deemed to have incurred from each Honoring Bank an L/C Borrowing in the amount of such drawing, which L/C Borrowing shall be due and payable on demand (together with interest) and shall bear interest at a rate per annum equal to the Base Rate plus 2% per annum, and each Non-Honoring Bank shall be deemed, and hereby irrevocably and unconditionally agrees to, have purchased a participation in each such L/C Borrowing in an amount equal to the product of (i) the Commitment Percentage of such Non-Honoring Bank, times (ii) the amount of each such L/C Borrowing, and each Non-Honoring Bank's payment to the Agent for the account of the relevant Honoring Bank pursuant to SECTION 3.3(B)(IV) shall be deemed payment in respect of its participation in such L/C Borrowing and shall constitute an L/C Advance from such Non-Honoring Bank in satisfaction of its participation obligation under this SECTION 3.3(B); PROVIDED that each Non-Honoring Bank's obligation to purchase a participation in any such L/C Borrowing is subject to (and shall not exceed) the amount of the unutilized portion of the Commitment of such Non-Honoring Bank.

(vi) Each Bank's obligation in accordance with this Agreement to make the Revolving Loans or L/C Advances, as contemplated by this SECTION 3.3(B), as a result of a drawing under the Letter of Credit, shall be absolute and unconditional and without recourse to the Agent or any other Bank and shall not be affected by any circumstance, including (A) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Agent, the Company or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default, an Event of Default or a Material Adverse Effect; or (C) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; PROVIDED that each Bank's obligation to make Revolving Loans under this SECTION 3.3(B) is subject to the conditions set forth in SECTION 5.2 and the amount of the unutilized portion of the Commitment of such Bank.

Section 3.4 REPAYMENT OF PARTICIPATIONS.

(a) Upon (and only upon) receipt by the Agent for the account of any L/C Bank of immediately available funds from the Company (i) in reimbursement of any payment made by such L/C Bank under a Letter of Credit with respect to which any Bank has paid the Agent for the account of such L/C Bank for such Bank's participation in such Letter of Credit pursuant to SECTION 3.3 or (ii) in payment of interest thereon, the Agent will pay to each Bank, in the same funds as those received by the Agent for the account of such L/C Bank, the amount of such Bank's Commitment Percentage of such funds, and such L/C Bank shall receive the amount of the Commitment Percentage of such funds of any Bank that did not so pay the Agent for the account of the L/C Bank.

(b) If the Agent or any L/C Bank is required at any time to return to the Company, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by the Company to the Agent for the account of such L/C Bank pursuant to SECTION 3.4(A) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Bank shall, on demand of the Agent, forthwith return to the Agent or such L/C Bank the amount of its Commitment Percentage of any amounts so returned by the Agent or such L/C Bank plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Agent or such L/C Bank, at a rate per annum equal to the Federal Funds Rate in effect from time to time.

Section 3.5 ROLE OF L/C BANKS AND AGENT AS PAYING AGENT.

(a) Each Bank and the Company agree that, (i) in paying any drawing under a Standard Letter of Credit, the Issuing Bank shall not have any responsibility to obtain any document (other than any sight draft and certificates expressly required by the Standard Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document and (ii) in disbursing to the beneficiary amounts made available to the Agent by any Bank for payment to the beneficiary as a result of a draw under any Several Letter of Credit, the Agent shall not have any responsibility to obtain any document or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document.

(b) No Agent-Related Person nor any of the respective correspondents, participants or assignees of the Issuing Bank or the Agent shall be liable to any Bank for: (i) any action taken or omitted in connection herewith at the request or with the approval of the Banks (including the Majority Banks, as applicable); (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; or (iii) the due execution, effectiveness, validity or enforceability of any L/C-Related Document.

(c) The Company hereby assumes all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; PROVIDED that this assumption is not intended to, and shall not, preclude the Company's pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement, whether before or after any drawing by such beneficiary or transferee. No Agent-Related Person, nor any of the respective correspondents, participants or assignees of any L/C Bank or Bank, shall be liable or responsible for any of the matters described in CLAUSES (I) through (vii) of SECTION 3.6; PROVIDED that anything in such clauses to the contrary notwithstanding, that the Company may have a claim against a L/C Bank, and a L/C Bank may be liable to the Company, to the extent, but only to the extent, of any direct, as opposed to consequential or exemplary, damages suffered by the Company which the Company proves were caused by such L/C Bank's willful misconduct or gross negligence or such L/C Bank's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit. In furtherance and not in limitation of the foregoing: (i) a L/C Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; and (ii) a L/C Bank shall not be

responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason.

Section 3.6 OBLIGATIONS ABSOLUTE. The obligations of the Company under this Agreement and any L/C-Related Document to reimburse any L/C Bank for a drawing under a Letter of Credit, and to repay any L/C Borrowing and any drawing under a Letter of Credit converted into Revolving Loans, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and each such other L/C-Related Document under all circumstances, including the following:

(i) any lack of validity or enforceability of this Agreement or any L/C-Related Document;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the obligations of the Company in respect of any Letter of Credit or any other amendment or waiver of or any consent to departure from all or any of the L/C-Related Documents;

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

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

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

(vi) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any other guarantee, for all or any of the obligations of the Company in respect of any Letter of Credit; or

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

Section 3.7 CASH COLLATERAL PLEDGE. Upon the request of the Agent, (i) if any L/C Bank has honored any full or partial drawing request on any Letter of Credit and such drawing has resulted in an L/C Borrowing hereunder, or (ii) if, as of one year after the Revolving Termination Date, any Letters of Credit may for any reason remain outstanding and partially or wholly undrawn, or (iii) if the L/C Obligations shall be declared due and payable pursuant to SECTION 9.2 (B), then, the Company shall immediately pledge and deposit with or deliver to the Agent, for the benefit of the Agent, the Issuing Bank and the Banks, as collateral for the L/C Obligations, cash or deposit account balances in an amount equal to the L/C Obligations. The Company hereby grants the Agent, for the benefit of the Agent, the Issuing Bank and the Banks, a security interest in all such cash and deposit account balances and agrees to execute security documentation in furtherance of the grant of such security interest in form and substance satisfactory to the Agent and the Issuing Bank (which documents are hereby consented to by the Banks). Such collateral shall be maintained in blocked deposit accounts at BofA.

Section 3.8 LETTER OF CREDIT FEES.

(a) The Company shall pay to the Agent for the account of each of the Banks a letter of credit fee with respect to the Letters of Credit equal to 0.45% per annum of the average daily maximum amount available to be drawn of the outstanding Letters of Credit, computed on a quarterly basis in arrears on the last Business Day of each calendar quarter based upon Letters of Credit outstanding for that quarter as calculated by the Agent. Such letter of credit fees shall be due and payable quarterly in arrears on the last Business Day of each calendar quarter during which Letters of Credit are outstanding, commencing on the first such quarterly date to occur after the Closing Date, through the Revolving Termination Date (or such later date upon which the outstanding Letters of Credit shall expire), with the final payment to be made on the Revolving Termination Date (or such later expiration date).

(b) The Company shall pay to each L/C Bank from time to time on demand the normal issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such L/C Bank relating to letters of credit as from time to time in effect.

Section 3.9 UNIFORM CUSTOMS AND PRACTICE. The Uniform Customs and Practice for Documentary Credits as published by the International Chamber of Commerce ("UCP") most recently at the time of issuance of any Letter of Credit shall (unless otherwise expressly provided in the Letters of Credit) apply to the Letters of Credit.

ARTICLE IV

TAXES, YIELD PROTECTION AND ILLEGALITY

Section 4.1 TAXES.

(a) Any and all payments by the Company to each Bank or the Agent under this Agreement and any other Loan Document shall be made free and clear of, and without deduction or withholding for any Taxes. In addition, the Company shall pay all Other Taxes.

(b) The Company agrees to indemnify and hold harmless each Bank and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section) paid by the Bank or the Agent and any liability (including penalties, interest, additions to tax and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payment under this indemnification shall be made within 30 days after the date the Bank or the Agent makes written demand therefor.

(c) If the Company shall be required by law to deduct or withhold any Taxes or Other Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, then, subject to SECTION 4.1(g):

(i) the sum payable shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings applicable to additional sums payable under this Section) such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made;

(ii) the Company shall make such deductions and withholdings;

(iii) the Company shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable law; and

(iv) the Company shall also pay to each Bank or the Agent for the account of such Bank, at the time interest is paid, all additional amounts which the respective Bank specifies as necessary to preserve the after-tax yield the Bank would have received if such Taxes or Other Taxes had not been imposed.

(d) Within 30 days after the date of any payment by the Company of Taxes or Other Taxes, the Company shall furnish the Agent the original or a certified copy of a receipt evidencing payment thereof, or other evidence of payment satisfactory to the Agent.

(e) If the Company is required to pay additional amounts to any Bank or the Agent pursuant to section (c) of this Section, then such Bank shall use reasonable efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue, if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

(f) Each Bank which is a foreign person (i.e., a person other than a United States person for United States Federal income tax purposes) agrees that:

(i) it shall, no later than the Closing Date (or, in the case of a Bank which becomes a party hereto pursuant to SECTION 11.8 after the Closing Date, the date upon which the Bank becomes a party hereto) deliver to the Company through the Agent two accurate and complete signed originals of Internal Revenue Service Form 4224 or any successor thereto ("Form 4224"), or two accurate and complete signed originals of Internal Revenue Service Form 1001 or any successor thereto ("Form 1001"), as appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(ii) if at any time the Bank makes any changes necessitating a new Form 4224 or Form 1001, it shall with reasonable promptness deliver to the Company through the Agent in replacement for, or in addition to, the forms previously delivered by it hereunder, two accurate and complete signed originals of Form 4224; or two accurate and complete signed originals of Form 1001, as appropriate, in each case indicating that the Bank is on the date of delivery thereof entitled to receive payments of principal, interest and fees under this Agreement free from withholding of United States Federal income tax;

(iii) it shall, before or promptly after the occurrence of any event (including the passing of time but excluding any event mentioned in (ii) above) requiring a change in or renewal of the most recent Form 4224 or Form 1001 previously delivered by such Bank and deliver to the Company through the Agent two accurate and complete original signed

copies of Form 4224 or Form 1001 in replacement for the forms previously delivered by the Bank; and

(iv) it shall, promptly upon the Company's or the Agent's reasonable request to that effect, deliver to the Company or the Agent (as the case may be) such other forms or similar documentation as may be required from time to time by any applicable law, treaty, rule or regulation in order to establish such Bank's tax status for withholding purposes.

(g) The Company will not be required to pay any additional amounts in respect of United States Federal income tax pursuant to SECTION 4.1(c) to any Bank for the account of any Lending Office of such Bank:

(i) if the obligation to pay such additional amounts would not have arisen but for a failure by such Bank to comply with its obligations under SECTION 4.1(f) in respect of such Lending Office;

(ii) if such Bank shall have delivered to the Company a Form 4224 in respect of such Lending Office pursuant to SECTION 4.1(f), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or in the official interpretation of such law or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 4224; or

(iii) if the Bank shall have delivered to the Company a Form 1001 in respect of such Lending Office pursuant to SECTION 4.1(f), and such Bank shall not at any time be entitled to exemption from deduction or withholding of United States Federal income tax in respect of payments by the Company hereunder for the account of such Lending Office for any reason other than a change in United States law or regulations or any applicable tax treaty or regulations or in the official interpretation of any such law, treaty or regulations by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law) after the date of delivery of such Form 1001.

(h) If, at any time, the Company requests any Bank to deliver any forms or other documentation pursuant to SECTION 4.1(f)(iv), then the Company shall, on demand of such Bank through the Agent, reimburse such Bank for any costs and expenses (including Attorney Costs) reasonably incurred by such

Bank in the preparation or delivery of such forms or other documentation.

(i) If the Company is required to pay additional amounts to any Bank or the Agent pursuant to SECTION 4.1(c), then such Bank shall use its reasonable best efforts (consistent with legal and regulatory restrictions) to change the jurisdiction of its Lending Office so as to eliminate any such additional payment by the Company which may thereafter accrue if such change in the judgment of such Bank is not otherwise disadvantageous to such Bank.

Section 4.2 ILLEGALITY.

(a) If any Bank determines that the introduction of any Requirement of Law, or any change in any Requirement of Law, or in the interpretation or administration of any Requirement of Law, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Bank or its applicable Lending Office to make Offshore Rate Loans, then, on notice thereof by the Bank to the Company through the Agent, any obligation of that Bank to make Offshore Rate Loans shall be suspended until the Bank notifies the Agent and the Company that the circumstances giving rise to such determination no longer exist.

(b) If a Bank determines that it is unlawful to maintain any Offshore Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Agent), prepay in full such Offshore Rate Loans of that Bank then outstanding, together with interest accrued thereon, either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if the Bank may not lawfully continue to maintain such Offshore Rate Loan. If the Company is required to so prepay any Offshore Rate Loan, then concurrently with such prepayment, the Company shall borrow from the affected Bank, in the amount of such repayment, a Base Rate Loan.

(c) If the obligation of any Bank to make or maintain Offshore Rate Loans has been so terminated or suspended, the Company may elect, by giving notice to the Bank through the Agent that all Loans which would otherwise be made by the Bank as Offshore Rate Loans shall be instead Base Rate Loans.

(d) Before giving any notice to the Agent under this Section, the affected Bank shall designate a different Lending Office with respect to its Offshore Rate Loans if such designation will avoid the need for giving such notice or making

such demand and will not, in the judgment of the Bank, be illegal or otherwise disadvantageous to the Bank.

Section 4.3 INCREASED COSTS AND REDUCTION OF RETURN.

(a) If any Bank determines that, due to either (i) the introduction of or any change (other than any change by way of imposition of or increase in reserve requirements included in the calculation of the Offshore Rate or in respect of the assessment rate payable by any Bank to the FDIC for insuring U.S. deposits) in or in the interpretation of any law or regulation or (ii) the compliance by that Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any Offshore Rate Loans or participating in Letters of Credit, or, in the case of the Issuing Bank, any increase in the cost to the Issuing Bank of agreeing to issue, issuing or maintaining any Letter of Credit or of agreeing to make or making, funding or maintaining any unpaid drawing under any Letter of Credit, then the Company shall be liable for, and shall from time to time, upon demand (with a copy of such demand to be sent to the Agent), pay to the Agent for the account of such Bank, additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank shall have determined that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by the Bank (or its Lending Office) or any corporation controlling the Bank with any Capital Adequacy Regulation, affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank and (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of its Commitment or the Obligations, then, upon demand of such Bank to the Company through the Agent, the Company shall pay to such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank for such increase.

Section 4.4 FUNDING LOSSES. The Company shall reimburse each Bank and hold each Bank harmless from any loss or expense which the Bank may sustain or incur as a consequence of:

(a) the failure of the Company to make on a timely basis any payment of principal of any Offshore Rate Loan;

(b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/ Continuation;

(c) the failure of the Company to make any prepayment in accordance with any notice delivered under SECTION 2.6;

(d) the prepayment (including pursuant to SECTION 2.7, but excluding pursuant to SECTION 4.2(B)) or other payment (including after acceleration thereof) of an Offshore Rate Loan on a day that is not the last day of the relevant Interest Period; or

(e) the automatic conversion under SECTION 2.4 of any Offshore Rate Loan to a Base Rate Loan on a day that is not the last day of the relevant Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its Offshore Rate Loans or from fees payable to terminate the deposits from which such funds were obtained. For purposes of calculating amounts payable by the Company to the Banks under this Section, (i) each Offshore Rate Loan made by a Bank (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the IBOR used in determining the Offshore Rate for such Offshore Rate Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Offshore Rate Loan is in fact so funded.

Section 4.5 INABILITY TO DETERMINE RATES. If the Reference Bank or the Majority Banks determines that for any reason adequate and reasonable means do not exist for determining the Offshore Rate for any requested Interest Period with respect to a proposed Offshore Rate Loan, or that the Offshore Rate applicable pursuant to SECTION 2.9(A) for any requested Interest Period with respect to a proposed Offshore Rate Loan does not adequately and fairly reflect the cost to the Banks of funding such Loan, the Agent will promptly so notify the Company and each Bank. Thereafter, the obligation of the Banks to make or maintain Offshore Rate Loans hereunder shall be suspended until the Agent upon the instruction of the Majority Banks revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Company does not

revoke such Notice, the Banks shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Base Rate Loans instead of Offshore Rate Loans.

Section 4.6 CERTIFICATES OF BANKS. Any Bank claiming reimbursement or compensation under this ARTICLE IV shall deliver to the Company (with a copy to the Agent) a certificate setting forth in reasonable detail the manner of calculation and the amount payable to the Bank hereunder and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

Section 4.7 SURVIVAL. The agreements and obligations of the Company in this ARTICLE IV shall survive the payment of all other Obligations.

ARTICLE V

CONDITIONS PRECEDENT

Section 5.1 CONDITIONS OF INITIAL CREDIT EXTENSIONS. This Agreement and the obligation of each Bank to make Credit Extensions hereunder shall only become effective on the date that the Agent has received all of the following, in form and substance satisfactory to the Agent and each Bank, and in sufficient copies for each Bank:

(a) CREDIT AGREEMENT. This Agreement executed by each party thereto;

(b) RESOLUTIONS; INCUMBENCY.

(i) copies of the resolutions of the board of directors of the Company authorizing the transactions contemplated hereby, certified as of the Closing Date by the Secretary or an Assistant Secretary of the Company; and

(ii) a certificate of the Secretary or Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to execute, deliver and perform, as applicable, this Agreement, and all other Loan Documents to be delivered by it hereunder;

(c) ORGANIZATION DOCUMENTS; GOOD STANDING. Each of the following documents:

(i) the articles or certificate of incorporation and the bylaws of the Company as in effect on the Closing Date, certified by the Secretary or Assistant Secretary of the Company as of the Closing Date; and

(ii) a good standing certificate for the Company from the Secretary of State (or similar, applicable Governmental Authority) of its state of incorporation and each state where the Company is qualified to do business as a foreign corporation as of a recent date;

(d) LEGAL OPINIONS. An opinion of Harry Kahn, general counsel to the Company and addressed to the Agent and the Banks, substantially in the form of EXHIBIT D;

(e) PAYMENT OF FEES. Evidence of payment by the Company of all accrued and unpaid fees, costs and expenses to the extent then due and payable on the Closing Date, together with Attorney Costs of BofA to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute BofA's reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between the Company and BofA); including any such costs, fees and expenses arising under or referenced in SECTIONS 2.10 and 11.4;

(f) CERTIFICATE. A certificate signed by a Responsible Officer, dated as of the Closing Date, stating that:

(i) the representations and warranties contained in ARTICLE VI are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default exists or would result from the Credit Extension; and

(iii) there has occurred since October 31, 1993, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect; and

(g) OTHER DOCUMENTS. Such other approvals, opinions, documents or materials as the Agent or any Bank may reasonably request;

PROVIDED that this Agreement shall not become effective or be binding on any party hereto unless each of the foregoing conditions has been satisfied not later than September 15, 1994, unless a waiver of such condition has been theretofore obtained

in accordance with SECTION 11.1. The Agent shall promptly notify the Borrower and the Banks of the Closing Date, and such notice shall be conclusive and binding on all parties hereto.

Section 5.2 CONDITIONS TO ALL CREDIT EXTENSIONS. The obligation of each Bank to make any Revolving Loan to be made by it (including its initial Revolving Loan) or to continue or convert any Revolving Loan under SECTION 2.4 and the obligation of any L/C Bank to Issue any Letter of Credit (including any initial Letters of Credit) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date, Conversion/Continuation Date, or Issuance Date:

(a) NOTICE, APPLICATION. The Agent shall have received (with, in the case of the initial Revolving Loan only, a copy for each Bank) a Notice of Borrowing or a Notice of Conversion/Continuation, as applicable or in the case of any Issuance of any Letter of Credit, the L/C Bank and the Agent shall have received an L/C Application or L/C Amendment Application, as required under SECTION 3.2;

(b) CONTINUATION OF REPRESENTATIONS AND WARRANTIES. The representations and warranties in ARTICLE VI shall be true and correct on and as of such Borrowing Date, Conversion/Continuation Date or Issuance Date with the same effect as if made on and as of such Borrowing Date, Conversion/Continuation Date or Issuance Date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date); and

(c) NO EXISTING DEFAULT. No Default or Event of Default shall exist or shall result from such Borrowing, continuation or conversion or Issuance.

Each Notice of Borrowing, Notice of Conversion/Continuation, and L/C Application or L/C Amendment Application submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such notice and as of each Borrowing Date, Conversion/Continuation Date, or Issuance Date, as applicable, that the conditions in SECTION 5.2 are satisfied.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants to the Agent and each Bank that:

Section 6.1 CORPORATE EXISTENCE AND POWER. The Company and each of its Subsidiaries:

(a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) has the power and authority and all governmental licenses, authorizations, consents and approvals to own its material assets, carry on its business substantially as now conducted, and to execute, deliver, and perform its obligations under the Loan Documents;

(c) is duly qualified as a foreign corporation and is licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification or license; and

(d) is in compliance with all Requirements of Law;

except, in each case referred to in CLAUSE (C) or CLAUSE (D) OF THIS SECTION 6.1, to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 6.2 CORPORATE AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by the Company of this Agreement and each other Loan Document to which the Company is party, have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of the Company's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any document evidencing any Contractual Obligation to which the Company is a party or any order, injunction, writ or decree of any Governmental Authority to which the Company or its property is subject; or

(c) violate any Requirement of Law.

Section 6.3 GOVERNMENTAL AUTHORIZATION. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company or any of its Subsidiaries of the Agreement or any other Loan Document.

Section 6.4 BINDING EFFECT. This Agreement and each other Loan Document to which the Company is a party constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

Section 6.5 LITIGATION. Except as specifically disclosed in the SCHEDULE OF LITIGATION, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company, threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, or its Subsidiaries or any of their respective properties which:

(a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the transactions contemplated hereby or thereby; or

(b) if determined adversely to the Company or its Subsidiaries, would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

Section 6.6 NO DEFAULT. No Default or Event of Default exists or would result from the incurring of any Obligations by the Company. As of the Closing Date, neither the Company nor any Subsidiary is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect, or that would, if such default had occurred after the Closing Date, create an Event of Default under SECTION 9.1(E).

Section 6.7 ERISA COMPLIANCE.

(a) Except as specifically disclosed in Part A of the SCHEDULE OF ERISA MATTERS, each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law. Each Plan which is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS and to the best

knowledge of the Company, nothing has occurred which would cause the loss of such qualification.

(b) Except as specifically disclosed in Part B of the SCHEDULE OF ERISA MATTERS, (i) there are no pending, or to the best knowledge of Company, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect and (ii) there has been no prohibited transaction or other violation of the fiduciary responsibility rule with respect to any Plan which could reasonably result in a Material Adverse Effect.

(c) Except as specifically disclosed in Part C of the SCHEDULE OF ERISA MATTERS, no ERISA Event has occurred or is reasonably expected to occur with respect to any Pension Plan.

(d) Except as specifically disclosed in Part D of the SCHEDULE OF ERISA MATTERS, no Pension Plan has any Unfunded Pension Liability. The aggregate Unfunded Pension Liability for all Pension Plans does not exceed \$1,000,000.

(e) Except as specifically disclosed in Part E of the SCHEDULE OF ERISA MATTERS, the Company has not incurred, nor does it reasonably expect to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA).

(f) Except as specifically disclosed in Part F of the SCHEDULE OF ERISA MATTERS, the Company has not transferred any Unfunded Pension Liability to any Person or otherwise engaged in a transaction that could be subject to Section 4069 of ERISA.

(g) Except as specifically disclosed in Part G of the SCHEDULE OF ERISA MATTERS, (i) no trade or business (whether or not incorporated under common control with the Company within the meaning of Section 414(b), (c), (m) or (o) of the Code) maintains or contributes to any Pension Plan or other Plan subject to Section 412 of the Code, and (ii) neither the Company nor any Person under common control with the Company (as defined in the preceding sentence) has ever contributed to any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

Section 6.8 USE OF PROCEEDS; MARGIN REGULATIONS. The proceeds of the Loans are to be used solely for the purposes set forth in and permitted by SECTION 7.11 and SECTION 8.7. Neither the Company nor any Subsidiary is generally engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock.

Section 6.9 TITLE TO PROPERTIES. The Company and each Subsidiary have good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of their respective businesses, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Closing Date, the property of the Company and its Subsidiaries is subject to no Liens, other than Permitted Liens.

Section 6.10 TAXES. The Company and its Subsidiaries have filed all Federal and other material tax returns and reports required to be filed, and have paid all Federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the Company or any Subsidiary that would, if made, have a Material Adverse Effect.

Section 6.11 FINANCIAL CONDITION.

(a) The audited consolidated financial statements of the Company and its Subsidiaries dated October 31, 1993, and the related consolidated statements of income or operations, shareholders' equity and cash flows for the fiscal year ended on that date:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein;

(ii) fairly present the financial condition of the Company and its Subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) show all material Indebtedness and other liabilities, direct or contingent, of the Company and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Guarantees.

(b) Since October 31, 1993, there has been no Material Adverse Effect.

Section 6.12 ENVIRONMENTAL MATTERS. The Company monitors in the ordinary course of business the effect of existing Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that, except as specifically disclosed in the SCHEDULE OF ENVIRONMENTAL MATTERS, such

Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 6.13 REGULATED ENTITIES. None of the Company, any Person controlling the Company, or any Subsidiary, is an "Investment Company" within the meaning of the Investment Company Act of 1940. The Company is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal or state statute or regulation limiting its ability to incur Indebtedness.

Section 6.14 NO BURDENSOME RESTRICTIONS. Neither the Company nor any Subsidiary is a party to or bound by any Contractual Obligation, or subject to any restriction in any Organization Document, or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

Section 6.15 COPYRIGHTS, PATENTS, TRADEMARKS AND LICENSES, ETC. The Company and its Subsidiaries own or are licensed or otherwise have the right to use all of the patents, trademarks, service marks, trade names, copyrights, contractual franchises, authorizations and other rights that are reasonably necessary for the operation of their respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Company, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by the Company or any Subsidiary infringes upon any rights held by any other Person. No claim or litigation regarding any of the foregoing is pending or threatened, and no patent, invention, device, application, principle or any statute, law, rule, regulation, standard or code is pending or, to the knowledge of the Company, proposed, which, in either case, could reasonably be expected to have a Material Adverse Effect.

Section 6.16 SUBSIDIARIES. As of the Closing Date with respect to Subsidiaries in existence on the Closing Date and as has been notified to Agent and Banks with respect to Subsidiaries acquired after the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in Part A of SCHEDULE OF SUBSIDIARIES hereto and has no material equity investments in any other corporation or entity other than those specifically disclosed in Part B of SCHEDULE OF SUBSIDIARIES.

Section 6.17 INSURANCE. The properties of the Company and its Subsidiaries are insured in compliance with SECTION 7.6.

Section 6.18 FULL DISCLOSURE. None of the representations or warranties made by the Company or any Subsidiary in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Company or any Subsidiary in connection with the Loan Documents (including the offering and disclosure materials delivered by or on behalf of the Company to the Banks prior to the Closing Date), contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered.

ARTICLE VII

AFFIRMATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Banks waive compliance in writing:

Section 7.1 FINANCIAL STATEMENTS. The Company shall deliver to the Agent, in form and detail satisfactory to the Agent and the Majority Banks, with sufficient copies for each Bank:

(a) as soon as available, but not later than 90 days after the end of each fiscal year (commencing with the fiscal year ended October 31, 1994), a copy of the audited consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related consolidated statements of income or operations, shareholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous fiscal year and which may be in the form of the Company's SEC Form 10-K as filed with the Securities and Exchange Commission for the relevant fiscal year, and accompanied by the opinion of KPMG Peat Marwick or another nationally-recognized independent public accounting firm ("INDEPENDENT AUDITOR") which report shall state that such consolidated financial statements present fairly the financial position for the periods indicated in conformity with GAAP applied on a basis consistent with prior years. Such opinion shall not be qualified or limited because of a restricted or limited examination by the Independent Auditor of any material portion of the Company's or any Subsidiary's records; and

(b) as soon as available, but not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year (commencing with the fiscal quarter ended July 31, 1994), a copy of the unaudited consolidated balance sheet of the Company and its Subsidiaries as of the end of such quarter and the related consolidated statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter and which may be in the form of the Company's SEC Form 10-Q as filed with the Securities and Exchange Commission for the relevant fiscal quarter, and certified by a Responsible Officer as fairly presenting, in accordance with GAAP (subject to ordinary, good faith year-end audit adjustments), the financial position and the results of operations of the Company and the Subsidiaries.

Section 7.2 CERTIFICATES; OTHER INFORMATION. The Company shall furnish to the Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in SECTIONS 7.1(a) and (b), a Compliance Certificate executed by a Responsible Officer;

(b) promptly, copies of all financial statements and reports that the Company sends to its shareholders, and copies of all financial statements and regular, periodical or special reports (including Forms 10K, 10Q and 8K) that the Company or any Subsidiary may make to, or file with, the SEC;

(c) concurrently with the delivery of the financial statements referenced in SECTION 7.1(a), a report on the Company's and its consolidated Subsidiaries workers' compensation experience for such fiscal year, including details on claims paid and accruals for future payments booked during such final year;

(d) concurrently with the delivery of the financial statements referenced in SECTION 7.1(a), an annual budget of the Company and its consolidated Subsidiaries for the next succeeding fiscal year on a fiscal quarterly basis, broken down by operating division and including revenue and profitability;

(e) concurrently with the delivery of the financial statements referenced in SECTION 7.1(b), a revenue and profitability report for such fiscal quarter and that portion of the fiscal year then ended, broken down by operating division and including a comparison to the annual budget of the Company and its consolidated Subsidiaries for such fiscal year; and

(f) promptly, such additional information regarding the business, financial or corporate affairs of the Company or any Subsidiary as the Agent, at the request of any Bank, may from time to time request.

Section 7.3 NOTICES. The Company shall promptly notify the Agent and the Agent shall promptly notify each Bank:

(a) of the occurrence of any Default or Event of Default, and of the occurrence or existence of any event or circumstance that foreseeably will become a Default or Event of Default;

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

(c) of any of the following events affecting the Company, together with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company with respect to such event:

(i) an ERISA Event;

(ii) if any of the representations and warranties in Section 6.7 ceases to be true and correct;

(iii) the adoption of any new Pension Plan or other Plan subject to Section 412 of the Code;

(iv) the adoption of any amendment to a Pension Plan or other Plan subject to Section 412 of the Code, if such amendment results in a material increase in contributions or Unfunded Pension Liability; or

(v) the commencement of contributions to any Pension Plan or other Plan subject to Section 412 of the Code; and

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

Each notice under this Section shall be accompanied by a written statement by a Responsible Officer setting forth details of the occurrence referred to therein, and stating what action the Company or any affected Subsidiary proposes to take with respect thereto and at what time. Each notice under SECTION 7.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been (or foreseeably will be) breached or violated.

Section 7.4 PRESERVATION OF CORPORATE EXISTENCE, ETC. The Company shall, and shall cause each Subsidiary to:

(a) preserve and maintain in full force and effect its corporate existence and good standing under the laws of its state or jurisdiction of incorporation;

(b) preserve and maintain in full force and effect all governmental rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business;

(c) use reasonable efforts, in the ordinary course of business, to preserve its business organization and goodwill; and

(d) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

Section 7.5 MAINTENANCE OF PROPERTY. The Company shall maintain, and shall cause each Subsidiary to maintain, and preserve all its property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

Section 7.6 INSURANCE. The Company shall maintain, and shall cause each Subsidiary to maintain, with financially sound and reputable independent insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons; PROVIDED that with respect to public liability and property damage coverage and workers' compensation coverage, the Company's self insurance plan as in effect on the date of this Agreement shall be deemed sufficient compliance with this Section.

Section 7.7 PAYMENT OF OBLIGATIONS. The Company shall, and shall cause each Subsidiary to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and

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

Section 7.8 COMPLIANCE WITH LAWS. The Company shall comply, and shall cause each Subsidiary to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business (including the Federal Fair Labor Standards Act and Environmental Laws).

Section 7.9 INSPECTION OF PROPERTY AND BOOKS AND RECORDS. The Company shall maintain and shall cause each Subsidiary to maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiary. The Company shall permit, and shall cause each Subsidiary to permit, representatives and independent contractors of the Agent or any Bank to visit and inspect any of their respective properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers, and independent public accountants, all at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; PROVIDED, HOWEVER, when an Event of Default exists the Agent or any Bank may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice.

Section 7.10 USE OF PROCEEDS. The Company shall use the proceeds of the Loans for working capital and other general corporate purposes not in contravention of any Requirement of Law or of any Loan Document.

Section 7.11 EXISTING NON-BOFA LETTERS OF CREDIT. The Company shall cause each of the Existing Non-BofA Letters of Credit to be returned to the relevant issuing bank for cancellation within 60 days after the Closing Date and shall provide acceptable evidence to the Agent of the occurrence of the foregoing on or before such time.

ARTICLE VIII

NEGATIVE COVENANTS

So long as any Bank shall have any Commitment hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, or any Letter of Credit shall remain outstanding, unless the Majority Banks waive compliance in writing:

Section 8.1 LIMITATION ON LIENS. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its property, whether now owned or hereafter acquired, other than the following ("PERMITTED LIENS"):

(a) any Lien existing on property of the Company or any Subsidiary on the Closing Date and set forth in the SCHEDULE OF PERMITTED LIENS securing Indebtedness outstanding on such date;

(b) any Lien created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by SECTION 7.7, provided that no notice of lien has been filed or recorded under the Code;

(d) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the ordinary course of business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

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

(f) Liens on the property of the Company or its Subsidiary securing (i) the non-delinquent performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, (ii) contingent obligations on surety and appeal bonds, and (iii) other non-delinquent obligations of a like nature; in each case, incurred in the ordinary course of business, provided all such Liens in the aggregate would not (even if enforced) cause a Material Adverse Effect;

(g) Purchase money security interests on any property acquired or held by the Company or its Subsidiaries in the ordinary course of business, securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such property; PROVIDED that (i) any such Lien attaches to such property concurrently with or within 20 days after the acquisition thereof, (ii) such Lien attaches solely to the property so acquired in such transaction, (iii) the principal amount of the debt secured thereby does not exceed 100% of the cost of such property, and (iv) the principal amount of the Indebtedness secured by any and all such purchase money security interests shall not at any time exceed \$2,000,000;

(h) Liens consisting of judgment or judicial attachment liens, provided that the enforcement of such Liens is effectively stayed and all such liens in the aggregate at any time outstanding for the Company and its Subsidiaries do not exceed \$1,000,000;

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

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

Section 8.2 DISPOSITION OF ASSETS. The Company shall not, and shall not suffer or permit any Subsidiary to, directly or indirectly, sell, assign, lease, convey, transfer or

otherwise dispose of (whether in one or a series of transactions) any property (including accounts and notes receivable, with or without recourse) or enter into any agreement to do any of the foregoing, except:

(a) dispositions of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) the sale of equipment to the extent that such equipment is exchanged for credit against the purchase price of similar replacement equipment, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement equipment; and

(c) dispositions of inventory or equipment by the Company or any Subsidiary to the Company or any Subsidiary pursuant to reasonable business requirements; and

(d) dispositions not otherwise permitted hereunder which are made for fair market value; PROVIDED that (i) at the time of any disposition, no Default or Event of Default shall exist or shall result from such disposition, (ii) the aggregate sales price from such disposition shall be paid in cash, and (iii) the aggregate value of all assets so sold by the Company and its Subsidiaries, together, shall not exceed in any fiscal year 5% of consolidated net worth of the Company as of the end of the preceding fiscal year.

Section 8.3 CONSOLIDATIONS AND MERGERS. The Company shall not, and shall not suffer or permit any Subsidiary to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Subsidiary may merge with the Company, provided that the Company shall be the continuing or surviving corporation, or with any one or more Subsidiaries, provided that if any transaction shall be between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary shall be the continuing or surviving corporation; and

(b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Company or another Wholly-Owned Subsidiary.

Section 8.4 LOANS AND INVESTMENTS. The Company shall not purchase or acquire, or suffer or permit any Subsidiary to purchase or acquire, or make any commitment therefor, any

capital stock, equity interest, or any obligations or other securities of, or any interest in, any Person, or make or commit to make any Acquisitions, or make or commit to make any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of the Company, except for:

(a) any investment in: (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) debt securities rated in at least the second highest grade by at least one nationally recognized credit rating agency, (iii) time deposits with, including certificates of deposit issued by, (A) any Bank or (B) any office of any bank or trust company whose certificates of deposit are rated in one of the two highest grades by at least one nationally recognized rating agency, (iv) repurchase agreements entered into with a bank or trust company described in CLAUSE (iii) above of this definition (or with securities broker-dealers of nationally recognized standing) with respect to obligations described in CLAUSE (i) above of this definition, or (v) variable rate preferred stocks issued by, or supported by letters of credit issued by, a bank or trust company described in CLAUSE (iii) above of this definition (or by its parent holding company), PROVIDED that in each case such investment by its terms requires, or permits the holder thereof at its option to require, repayment, redemption, or repurchase thereof within six (6) months from the date of acquisition thereof by such holder;

(b) extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business;

(c) extensions of credit by the Company to any of its Wholly-Owned Subsidiaries or by any of its Wholly-Owned Subsidiaries to another of its Wholly-Owned Subsidiaries; or

(d) investments incurred in order to consummate Acquisitions otherwise permitted herein, PROVIDED that (i) such Acquisitions are undertaken in accordance with all applicable Requirements of Law; and (ii) the prior, effective written consent or approval to such Acquisition of the board of directors or equivalent governing body of the acquiree is obtained.

Section 8.5 LIMITATION ON INDEBTEDNESS. The Company shall not, and shall not suffer or permit any Subsidiary to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement;

(b) Indebtedness existing on the Closing Date and set forth in the SCHEDULE OF PERMITTED INDEBTEDNESS;

(c) Indebtedness of corporations which become Subsidiaries after the date of this Agreement, PROVIDED that (i) such indebtedness existed at the time the respective corporations became Subsidiaries and was not created in anticipation thereof, (ii) after giving effect to such Indebtedness on the Company's consolidated financial statements, there is no Default or Event of Default, and (iii) such Indebtedness does not exceed \$10,000,000; and

(d) Indebtedness securing purchase money liens permitted by SECTION 8.1(g).

Section 8.6 TRANSACTIONS WITH AFFILIATES. The Company shall not, and shall not suffer or permit any Subsidiary to, enter into any transaction with any Affiliate of the Company, except upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary.

Section 8.7 USE OF PROCEEDS. The Company shall not, and shall not suffer or permit any Subsidiary to, use any portion of the Loan proceeds or any Letter of Credit, directly or indirectly, (i) to purchase or carry Margin Stock, (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock, (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Exchange Act.

Section 8.8 USE OF PROCEEDS - INELIGIBLE SECURITIES. The Company shall not, directly or indirectly, use any portion of the Loan proceeds or any Letter of Credit (i) knowingly to purchase Ineligible Securities from a Section 20 Subsidiary during any period in which such Section 20 Subsidiary makes a market in such Ineligible Securities, (ii) knowingly to purchase during the underwriting or placement period Ineligible Securities being underwritten or privately placed by a Section 20 Subsidiary, or (iii) to make payments of principal or interest on Ineligible Securities underwritten or privately placed by a Section 20 Subsidiary and issued by or for the benefit of the Company or any Affiliate of the Company. As used in this Section, "SECTION 20 SUBSIDIARY" means the Subsidiary of the bank holding company controlling any Bank, which Subsidiary has been

granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities; and "INELIGIBLE SECURITIES" means securities which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

Section 8.9 JOINT VENTURES. The Company shall not, and shall not suffer or permit any Subsidiary to enter into any Joint Venture, other than in the ordinary course of business.

Section 8.10 LEASE OBLIGATIONS. The Company shall not, and shall not suffer or permit any Subsidiary to, create or suffer to exist any obligations for the payment of rent for any property under lease or agreement to lease, except for:

(a) operating leases of the Company and of Subsidiaries in existence on the Closing Date and any renewal, extension or refinancing thereof; and

(b) operating leases entered into by the Company or any Subsidiary after the Closing Date in the ordinary course of business.

Section 8.11 RESTRICTED PAYMENTS. The Company shall not, and shall not suffer or permit any Subsidiary to, declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any shares of any class of its capital stock, or purchase, redeem or otherwise acquire for value any shares of its capital stock or any warrants, rights or options to acquire such shares, now or hereafter outstanding; except that Wholly-Owned Subsidiaries may declare and make dividend payments and other distributions to the Company or other Wholly-Owned Subsidiaries and that the Company and any Wholly-Owned Subsidiary may:

(a) declare and make dividend payments or other distributions payable solely in its common stock;

(b) make, during periods that no Event of Default has occurred and is continuing, Permitted Stock Repurchases; and

(c) declare or pay ordinary cash dividends to its stockholders on a basis consistent with past practice.

Section 8.12 CHANGE IN BUSINESS. The Company shall not, and shall not suffer or permit any Subsidiary to, engage in any material line of business substantially different from those lines of business carried on by the Company and its Subsidiaries on the date hereof.

Section 8.13 ACCOUNTING CHANGES. The Company shall not, and shall not suffer or permit any Subsidiary to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Company or of any Subsidiary.

Section 8.14 FINANCIAL CONDITION. The Company shall not:

(a) LEVERAGE RATIO. Permit its Leverage Ratio as at the end of any fiscal quarter ending after January 31, 1994, to exceed 1.85 to 1.00;

(b) NET WORTH. Permit its consolidated net worth as at the end of any fiscal quarter ending after January 31, 1994, to be less than the sum of: (i) \$100,000,000, (ii) 50% of cumulative Consolidated Positive Net Income for each fiscal quarter during the period after October 31, 1993, through the end of such fiscal quarter, and (iii) 100% of Adjusted Net Equity Proceeds received by the Company during the period after October 31, 1993, through the end of such fiscal quarter.

(c) FIXED CHARGE COVERAGE RATIO. Permit its Fixed Charge Coverage Ratio for any four fiscal quarter period ending after January 31, 1994, to be less than 1.20 to 1.00; and

(d) LOSSES. Permit its quarterly Consolidated Net Income to be less than zero in each of any two consecutive fiscal quarters ending after January 31, 1994.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1 EVENT OF DEFAULT. Any of the following shall constitute an "EVENT OF DEFAULT":

(a) NON-PAYMENT. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan or of any L/C Obligation, or (ii) within 3 Business Days after the same becomes due, any interest, fee or any other amount payable hereunder or under any other Loan Document; or

(b) REPRESENTATION OR WARRANTY. Any representation or warranty by the Company or any Subsidiary made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any Subsidiary, or any Responsible Officer, furnished at any time under this Agreement, or in or under any other Loan Document, is incorrect in any material respect on or as of the date made or deemed made; or

(c) SPECIFIC DEFAULTS. The Company fails to perform or observe any term, covenant or agreement contained in any of SECTIONS 7.1, 7.2, 7.3 or 7.9 or in ARTICLE VIII; or

(d) OTHER DEFAULTS. The Company fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of 20 days after the earlier of (i) the date upon which a Responsible Officer knew or reasonably should have known of such failure or (ii) the date upon which written notice thereof is given to the Company by the Agent or any Bank; or

(e) CROSS-DEFAULT. The Company or any Subsidiary (i) fails to make any payment in respect of any Indebtedness having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure; or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness, and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity, or cash collateral in respect thereof to be demanded; or

(f) INSOLVENCY; VOLUNTARY PROCEEDINGS. The Company or any Subsidiary (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

(g) INVOLUNTARY PROCEEDINGS. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company or any Subsidiary, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any Subsidiary's properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar

process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) the Company or any Subsidiary admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Company or any Subsidiary acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its property or business; or

(h) ERISA. (i) An ERISA Event occurs with respect to a Pension Plan which has resulted or could reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan or the PBGC in an aggregate amount in excess of \$1,000,000; or (ii) the commencement or increase of contributions to, or the adoption of or the amendment of a Pension Plan by the Company which has resulted or could reasonably be expected to result in an increase in Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of \$1,000,000; or

(i) MONETARY JUDGMENTS. One or more non-interlocutory judgments, non-interlocutory orders, decrees or arbitration awards is entered against the Company or any Subsidiary involving in the aggregate a liability (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) as to any single or related series of transactions, incidents or conditions, of \$1,000,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of 10 or more days after the entry thereof; or

(j) NON-MONETARY JUDGMENTS. Any non-monetary judgment, order or decree is entered against the Company or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(k) CHANGE OF CONTROL. Any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Company; or

(l) ADVERSE CHANGE. There occurs a Material Adverse

Effect.

Section 9.2 REMEDIES. If any Event of Default occurs, the Agent shall, at the request of, or may, with the consent of, the Majority Banks,

(a) declare the commitment of each Bank to make Loans or Issue Several Letters of Credit and any obligation of the Issuing Bank to Issue Standard Letters of Credit to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare an amount equal to the maximum aggregate amount that is or at any time thereafter may become available for drawing under any outstanding Letters of Credit (whether or not any beneficiary shall have presented, or shall be entitled at such time to present, the drafts or other documents required to draw under such Letters of Credit) to be immediately due and payable, and declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

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

PROVIDED that upon the occurrence of any event specified in CLAUSES (F) or (G) of SECTION 9.1 (in the case of CLAUSE (I) of CLAUSE (G) upon the expiration of the 60-day period mentioned therein), the obligation of each Bank to make Loans or Issue Several Letters of Credit and any obligation of the Issuing Bank to Issue Standard Letters of Credit shall automatically terminate and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Agent, the Issuing Bank or any Bank.

Section 9.3 RIGHTS NOT EXCLUSIVE. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

Section 9.4 CERTAIN FINANCIAL COVENANT DEFAULTS. In the event that, after taking into account any extraordinary charge to earnings taken or to be taken as of the end of any fiscal period of the Company (a "CHARGE"), and if solely by virtue of such Charge, there would exist an Event of Default due to the breach of any of SECTION 8.14 as of such fiscal period end date, such Event of Default shall be deemed to arise upon the earlier of (a) the date after such fiscal period end date on

which the Company announces publicly it will take, is taking or has taken such Charge (including an announcement in the form of a statement in a report filed with the SEC) or, if such announcement is made prior to such fiscal period end date, the date that is such fiscal period end date, and (b) the date the Company delivers to the Agent its audited annual or unaudited quarterly financial statements in respect of such fiscal period reflecting such Charge as taken.

ARTICLE X

THE AGENT

Section 10.1 APPOINTMENT AND AUTHORIZATION.

(a) Each Bank hereby irrevocably appoints, designates and authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent. Notwithstanding the listing of NationsBank of Texas, N.A. as Co-Agent on the coversheet of this Agreement, NationsBank of Texas, N.A. shall have no rights or duties of an agent hereunder.

(b) The Issuing Bank shall act on behalf of the Banks with respect to any Letters of Credit Issued by it and the documents associated therewith until such time and except for so long as the Agent may agree at the request of the Majority Lenders to act for such Issuing Bank with respect thereto; PROVIDED that the Issuing Bank shall have all of the benefits and immunities (i) provided to the Agent in this ARTICLE X with respect to any acts taken or omissions suffered by the Issuing Bank in connection with Letters of Credit Issued by it or proposed to be Issued by it and the application and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Agent", as used in this ARTICLE X, included the Issuing Bank with respect to such acts or omissions, and (ii) as additionally provided in this Agreement with respect to the Issuing Bank.

Section 10.2 DELEGATION OF DUTIES. The Agent may execute any of its duties under this Agreement or any other Loan

Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

Section 10.3 LIABILITY OF AGENT. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Banks for any recital, statement, representation or warranty made by the Company or any Subsidiary or Affiliate of the Company, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of the Company or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Company or any of the Company's Subsidiaries or Affiliates.

Section 10.4 RELIANCE BY AGENT.

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

(b) For purposes of determining compliance with the conditions specified in SECTION 5.1, each Bank that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter either sent by the Agent to such Bank for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to the Bank.

Section 10.5 NOTICE OF DEFAULT. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to the Agent for the account of the Banks, unless the Agent shall have received written notice from a Bank or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". The Agent will notify the Banks of its receipt of any such notice. The Agent shall take such action with respect to such Default or Event of Default as may be requested by the Majority Banks in accordance with ARTICLE IX; PROVIDED that unless and until the Agent has received any such request, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable or in the best interest of the Banks.

Section 10.6 CREDIT DECISION. Each Bank acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of the Company and its Subsidiaries, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Company and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Company and its Subsidiaries hereunder. Each Bank also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Company. Except for notices, reports and other documents expressly herein required to be furnished to the Banks by the Agent, the Agent shall not have any duty or responsibility to provide any Bank

with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of the Company which may come into the possession of any of the Agent-Related Persons.

Section 10.7 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, the Banks shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of the Company and without limiting the obligation of the Company to do so), pro rata, from and against any and all Indemnified Liabilities; PROVIDED that no Bank shall be liable for the payment to the Agent-Related Persons of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank shall reimburse the Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including Attorney Costs) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Company. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

Section 10.8 AGENT IN INDIVIDUAL CAPACITY. BofA and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Company and its Subsidiaries and Affiliates as though BofA were not the Agent or the Issuing Bank hereunder and without notice to or consent of the Banks. The Banks acknowledge that, pursuant to such activities, BofA or its Affiliates may receive information regarding the Company or its Affiliates (including information that may be subject to confidentiality obligations in favor of the Company or such Subsidiary) and acknowledge that the Agent shall be under no obligation to provide such information to them. With respect to its Loans, BofA shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent or the Issuing Bank.

Section 10.9 SUCCESSOR AGENT. The Agent may, and at the request of the Majority Banks shall, resign as Agent upon 30 days' notice to the Banks. If the Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor agent for the Banks. If no successor agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Banks and the Company, a successor agent from among the Banks. Upon the

acceptance of its appointment as successor agent hereunder, such successor agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this ARTICLE X and SECTIONS 11.4 and 11.5 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor agent has accepted appointment as Agent by the date which is 30 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Banks shall perform all of the duties of the Agent hereunder until such time, if any, as the Majority Banks appoint a successor agent as provided for above. Notwithstanding the foregoing, however, BofA may not be removed as the Agent at the request of the Majority Banks unless BofA shall also simultaneously be replaced as "Issuing Bank" hereunder pursuant to documentation in form and substance reasonably satisfactory to BofA.

Section 10.10 WITHHOLDING TAX.

(a) Each Bank subject to SECTION 4.1(f) agrees to promptly notify the Agent of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Bank claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form 1001 and such Bank sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Company to such Bank. To the extent of such percentage amount, the Agent will treat such Bank's IRS Form 1001 as no longer valid.

(c) If any Bank claiming exemption from United States withholding tax by filing IRS Form 4224 with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Company to such Bank, such Bank agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the Code.

(d) If any Bank is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Bank an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by SECTION 4.1(f) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such

Bank not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered, was not properly executed, or because such Bank failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including Attorney Costs). The obligation of the Banks under this section shall survive the payment of all Obligations and the resignation or replacement of the Agent.

ARTICLE XI

MISCELLANEOUS

Section 11.1 AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Majority Banks (or by the Agent at the written request of the Majority Banks) and the Company and acknowledged by the Agent, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; PROVIDED that no such waiver, amendment, or consent shall, unless in writing and signed by all the Banks and the Company and acknowledged by the Agent, do any of the following:

(a) increase or extend the Commitment of any Bank (or reinstate any Commitment terminated pursuant to SECTION 8.2(a));

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or (subject to CLAUSE (ii) below) any fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which is required for the Banks or any of them to take any action hereunder; or

(e) amend this Section, or SECTIONS 2.14, 8.1, 11.4, or 11.5 or any provision herein providing for consent or other action by all Banks;

and PROVIDED FURTHER that (i) no amendment, waiver or consent shall, unless in writing and signed by the Issuing Bank in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Issuing Bank under this Agreement or any L/C-Related Document relating to any Letter of Credit Issued or to be Issued by it, (ii) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Majority Banks or all the Banks, as the case may be, affect the rights or duties of the Agent under this Agreement or any other Loan Document, and (iii) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed by the parties thereto.

Section 11.2 NOTICES.

(a) All notices, requests and other communications shall be in writing (including, unless the context expressly otherwise provides, by facsimile transmission or by telephone confirmed by facsimile transmission, provided that any matter transmitted by the Company by facsimile shall be immediately confirmed by a telephone call to the recipient at the number specified for such recipient on the signature pages hereof, and mailed, faxed or delivered, to the address or facsimile number specified for notices to such recipient on the signature pages hereof; or, as directed to the Company or the Agent, to such other address as shall be designated by such party in a written notice to the other parties, and as directed to any other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent.

(b) All such notices, requests and communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the U.S. mail, or if delivered, upon delivery; except that notices pursuant to ARTICLE II, III or X shall not be effective until actually received by the Agent, and notices pursuant to ARTICLE III to the Issuing Bank shall not be effective until actually received by the Issuing Bank at the address specified for the "Issuing Bank" on the applicable signature page hereof.

(c) Any agreement of the Agent and the Banks herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Company. The Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice and the Agent and the Banks shall not have any liability to the Company or other Person on account of any action taken or not taken by the Agent or the Banks in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans and L/C Obligations shall not be affected in any way or to any extent by any failure by the Agent and the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Agent and the Banks of a confirmation which is at variance with the terms understood by the Agent and the Banks to be contained in the telephonic or facsimile notice.

Section 11.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 11.4 COSTS AND EXPENSES. The Company shall:

(a) whether or not the transactions contemplated hereby are consummated, pay or reimburse BofA (including in its capacity as Agent and Issuing Bank) within five Business Days after demand (subject to SECTION 5.1(E)) for all costs and expenses incurred by BofA (including in its capacity as Agent and Issuing Bank) in connection with the development, preparation, delivery, administration and execution of, and any amendment, supplement, waiver or modification to (in each case, whether or not consummated), this Agreement, any Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including reasonable Attorney Costs incurred by BofA (including in its capacity as Agent and Issuing Bank) with respect thereto; and

(b) pay or reimburse the Agent, the Issuing Bank, the Arranger and each Bank within five Business Days after demand (subject to SECTION 5.1(E)) for all costs and expenses (including Attorney Costs) incurred by them in connection with the enforcement, attempted enforcement, or preservation of any rights or remedies under this Agreement or any other Loan Document during the existence of an Event of Default or after acceleration of the Loans (including in connection with any "workout" or restructuring regarding the Loans, and including in any Insolvency Proceeding or appellate proceeding).

Section 11.5 INDEMNITY. Whether or not the transactions contemplated hereby are consummated, the Company shall indemnify and hold the Agent-Related Persons, and each Bank and each of its respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "INDEMNIFIED PERSON") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses and disbursements (including Attorney Costs) of any kind or nature whatsoever which may at any time (including at any time following repayment of the Loans, the termination of the Letters of Credit and the termination, resignation or replacement of the Agent or replacement of any Bank) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any document contemplated by or referred to herein, or the transactions contemplated hereby, or any action taken or omitted by any such Person under or in connection with any of the foregoing, including with respect to any investigation, litigation or proceeding (including any Insolvency Proceeding or appellate proceeding) related to or arising out of this Agreement or the Loans or Letters of Credit or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "INDEMNIFIED LIABILITIES"); PROVIDED that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities resulting solely from the gross negligence or willful misconduct of such Indemnified Person. The agreements in this Section shall survive payment of all other Obligations.

Section 11.6 PAYMENTS SET ASIDE. To the extent that the Company makes a payment to the Agent or the Banks, or the Agent or the Banks exercise their right of set-off, and such payment or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Agent or such Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any Insolvency Proceeding or otherwise, then (a) to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred, and (b) each Bank severally agrees to pay to the Agent upon demand its pro rata share of any amount so recovered from or repaid by the Agent.

Section 11.7 SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent and each Bank.

Section 11.8 ASSIGNMENTS, PARTICIPATIONS, ETC.

(a) Any Bank may, with the written consent of the Company at all times other than during the existence of an Event of Default, the Agent, the Issuing Bank, and the beneficiary of each outstanding Several Letter of Credit, which consents of the Company and the Agent shall not be unreasonably withheld, at any time assign and delegate to one or more Eligible Assignees (provided that no written consent of the Company, the Agent or the Issuing Bank shall be required in connection with any assignment and delegation by a Bank to an Eligible Assignee that is an Affiliate of such Bank) (each an "ASSIGNEE") all, or any ratable part of all, of the Loans, the Commitments, the L/C Obligations and the other rights and obligations of such Bank hereunder, in a minimum amount of \$10,000,000; PROVIDED that the Company and the Agent may continue to deal solely and directly with such Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to the Company and the Agent by such Bank and the Assignee; (ii) such Bank and its Assignee shall have delivered to the Company and the Agent an Assignment and Acceptance in the form of EXHIBIT E ("ASSIGNMENT AND ACCEPTANCE") together with any Note or Notes subject to such assignment and (iii) the assignor Bank or Assignee has paid to the Agent a processing fee in the amount of \$3,000.

(b) From and after the date that the Agent notifies the assignor Bank that it has received (and provided its consent with respect to) an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Bank under the Loan Documents, and (ii) the assignor Bank shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under the Loan Documents.

(c) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Bank PRO TANTO.

(d) Any Bank may at any time sell to one or more commercial banks or other Persons not Affiliates of the Company (a "PARTICIPANT") participating interests in any Loans, the Commitment of that Bank and the other interests of that Bank (the "originating Bank") hereunder and under the other Loan Documents; PROVIDED that (i) the originating Bank's obligations under this

Agreement shall remain unchanged, (ii) the originating Bank shall remain solely responsible for the performance of such obligations, (iii) the Company, the Issuing Bank and the Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, and (iv) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks as described in the FIRST PROVISIO to SECTION 11.1. In the case of any such participation, the Participant shall not have any rights under this Agreement, or any of the other Loan Documents, and all amounts payable by the Company hereunder shall be determined as if such Bank had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement.

(e) Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all information identified as "confidential" or "secret" by the Company and provided to it by the Company or any Subsidiary, or by the Agent on such Company's or Subsidiary's behalf, under this Agreement or any other Loan Document, and neither it nor any of its Affiliates shall use any such information other than in connection with or in enforcement of this Agreement and the other Loan Documents; except to the extent such information (i) was or becomes generally available to the public other than as a result of disclosure by the Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company, provided that such source is not bound by a confidentiality agreement with the Company known to the Bank; PROVIDED that any Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which the Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to the extent reasonably required in connection with any litigation or proceeding to which the Agent, any Bank or their respective Affiliates may be party; (E) to the extent reasonably required in connection with the exercise of any remedy hereunder or under any other Loan Document; (F) to such Bank's independent auditors and other professional advisors; (G) to any Affiliate of such Bank, or to any Participant or Assignee, actual or potential, provided that

such Affiliate, Participant or Assignee agrees to keep such information confidential to the same extent required of the Banks hereunder, and (H) as to any Bank, as expressly permitted under the terms of any other document or agreement regarding confidentiality to which the Company is party or is deemed party with such Bank.

(f) Notwithstanding any other provision in this Agreement, any Bank may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement and the Note, if any, held by it in favor of any Federal Reserve Bank in accordance with Regulation A of the FRB or U.S. Treasury Regulation 31 C.F.R. Section 203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

Section 11.9 SET-OFF. In addition to any rights and remedies of the Banks provided by law, if an Event of Default exists or the Loans have been accelerated, each Bank is authorized at any time and from time to time, without prior notice to the Company, any such notice being waived by the Company to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other indebtedness at any time owing by, such Bank to or for the credit or the account of the Company against any and all Obligations owing to such Bank, now or hereafter existing, irrespective of whether or not the Agent or such Bank shall have made demand under this Agreement or any Loan Document and although such Obligations may be contingent or unmatured. Each Bank agrees promptly to notify the Company and the Agent after any such set-off and application made by such Bank; PROVIDED that the failure to give such notice shall not affect the validity of such set-off and application.

Section 11.10 AUTOMATIC DEBITS OF FEES. With respect to any interest, commitment fee, letter of credit fee or other fee due and payable to the Agent, the Issuing Bank, BofA or the Arranger under the Loan Documents, the Company hereby irrevocably authorizes BofA to debit any deposit account of the Company with BofA in an amount such that the aggregate amount debited from all such deposit accounts does not exceed such fee or other cost or expense. If there are insufficient funds in such deposit accounts to cover the amount of the interest or fees then due, such debits will be reversed (in whole or in part, in BofA's sole discretion) and such amount not debited shall be deemed to be unpaid. No such debit under this Section shall be deemed a set-off.

Section 11.11 NOTIFICATION OF ADDRESSES, LENDING OFFICES, ETC. Each Bank shall notify the Agent in writing of any changes in the address to which notices to the Bank should be directed, of addresses of any Lending Office, of payment instructions in respect of all payments to be made to it

hereunder and of such other administrative information as the Agent shall reasonably request.

Section 11.12 COUNTERPARTS. This Agreement may be executed in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

Section 11.13 SEVERABILITY. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

Section 11.14 NO THIRD PARTIES BENEFITED. This Agreement is made and entered into for the sole protection and legal benefit of the Company, the Banks, the Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents.

Section 11.15 GOVERNING LAW AND JURISDICTION.

(a) THIS AGREEMENT AND THE NOTES, IF ANY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF CALIFORNIA; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF CALIFORNIA OR OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE COMPANY, THE AGENT AND THE BANKS CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH OF THE COMPANY, THE AGENT AND THE BANKS IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF THIS AGREEMENT OR ANY DOCUMENT RELATED HERETO. THE COMPANY, THE AGENT AND THE BANKS EACH WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY CALIFORNIA LAW.

Section 11.16 WAIVER OF JURY TRIAL. THE COMPANY, THE BANKS AND THE AGENT EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION,

PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AGENT-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. THE COMPANY, THE BANKS AND THE AGENT EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

Section 11.17 ENTIRE AGREEMENT. This Agreement, together with the other Loan Documents, embodies the entire agreement and understanding among the Company, the Banks and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in San Francisco by their proper and duly authorized officers as of the day and year first above written.

COMPANY: ABM INDUSTRIES INCORPORATED

By: _____
Title: _____

By: _____
Title: _____

Address for notices:

50 Fremont Street, 26th Floor
San Francisco, CA 94105
Facsimile: (415) 597-4500
Telephone: (415) 597-7135
Attention: Douglas Bowlus

AGENT: BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: _____
Title: _____

Address for notices:

1455 Market Street, 12th Floor
San Francisco, CA 94103
Attn: Agency Management Services #5596
Facsimile: (415) 622-4894
Telephone: (415) 953-0108

Address for payments:

Bank of America NT&SA
ABA 121-000-358
Agency Management Services #5596
1850 Gateway Boulevard
Concord, CA 94520
for credit to Account No. 12334-14305
Reference: ABM Industries

ISSUING BANK:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as
Issuing Bank

By: _____
Title: _____

Address for notices:

International Trade
Banking Division #5655
333 S. Beaudry Ave., 19th Floor
Los Angeles, CA 90017

With copies to the Agent

BANKS:

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as a Bank

By: _____
Title: _____

Commitment: \$40,000,000

Address for notices:

345 Montgomery Street
Concourse Level
San Francisco, CA 94103

Attn: Jack Telian
Facsimile: (415) 622-1878
Telephone: (415) 953-1064

Domestic and Offshore Lending Office:

1850 Gateway Boulevard
Concord, CA 94520

NATIONS BANK OF TEXAS, N.A.

By: -----

Title: -----

Commitment: \$25,000,000

Address For Notices:

444 South Flower Street, Suite 1500
Los Angeles, CA 90021-2901
Attn: Overton Colton
Facsimile: (213) 624-5812
Telephone: (213) 236-4910 (Colton)

Domestic and Offshore Lending Office:

901 Main Street, 14th Floor
Dallas, TX 75202
Attn: Kay Hibbs
Facsimile: (214) 508-0944
Telephone: (214) 508-3089

UNITED STATES NATIONAL BANK OF OREGON

By: -----

Title: -----

Commitment: \$15,000,000

Address For Notices:

111 S.W. 5th Avenue, Suite 2900
Portland, OR 97204
Attn: Scott Bell
Facsimile: (503) 275-5428
Telephone: (503) 275-6738

Domestic and Offshore Lending Office:

Same as address for notices

SEATTLE-FIRST NATIONAL BANK

By: -----

Title: -----

Commitment: \$20,000,000

Address For Notices:

701 Fifth Avenue, 12th Floor
Seattle WA 98124
Attn: Tom Essig
Facsimile: (206) 358-3113
Telephone: (206) 358-8005 (Essig)

Domestic and Offshore Lending Office:

Same as address for notices

SCHEDULE 1 - LETTERS OF CREDIT

PART A - EXISTING BOFA LETTERS OF CREDIT

ISSUER	BENEFICIARY	LIABILITY AMOUNT
BofA	St. of Cal.	\$15,781,782
BofA	Orange Cty.	60,000
BofA	Comm. Redev	24,000
BofA	Phil. Park	750,000

PART B - EXISTING NON-BOFA LETTERS OF CREDIT

ISSUER	BENEFICIARY	LIABILITY AMOUNT
Nations	Cntl. Cas.	\$5,588,000
Nations	Cntl. Cas.	610,000
Nations	CNA	1,807,000
Nations	Parking	100,000
Nations	Cont. Cas.	3,773,000
Nations	Transp. Ins.	1,291,000
Nations	CNA	585,000
Nations	CNA	1,662,000
Nations	CNA	5,711,000
Nations	Mid-West	883,000
Nations	Nat'l Unn.	181,080
Nations	CNA	34,000
Nations	St. of NJ	65,000
US Nat'l	Tran. Ins.	1,327,000
US Nat'l	Cigna	250,000
US Nat'l	CNA	555,000
US Nat'l	CNA	2,898,000

SCHEDULE 2 - LITIGATION
Section 6.5

- A. None other than those disclosed in Company's annual 10K as of October 31, 1993, page 6.

SCHEDULE 3 - ERISA MATTERS
Section 6.7

Part A:

None

Part B:

None

Part C:

None

Part D:

None

Part E:

None

Part F:

None

Part G:

None

SCHEDULE 4 - ENVIRONMENTAL MATTERS
Section 6.12

No matters to disclose.

SCHEDULE 5 - SUBSIDIARIES
Section 6.16

Part A:

See attached listing from Company's October 31, 1993, Form 10Q.

Part B:

None

SCHEDULE 6 - PERMITTED LIENS
Section 8.1

- A. Seller carried mortgage on commercial office building used by Company in Spokane, Washington. 8.75% fixed rate mortgage; fully amortized; 10 years beginning January 2, 1991; payable monthly.
- B. Seller carried mortgage on commercial office building used by Company in Seattle, Washington. 8.75% fixed rate mortgage; fully amortized; 10 years beginning January 2, 1991; payable monthly.

SCHEDULE 7 - PERMITTED INDEBTEDNESS
Section 8.5

- A. Mortgage on Spokane, Washington property; approximate balance \$87,940.
- B. Mortgage on Seattle, Washington property; approximate balance \$314,900.
- C. Unsecured note to Prudential Life Insurance: 9.35% fixed rate. Monthly interest payments and annual principal payments of \$636,365. Note due October 1, 1998. Balance \$3,181,817.
- D. Standby Letter of Credit No. C72 13239 issued by Continental Bank in the amount of \$1,554,000. Beneficiary CNA Insurance.
- E. Standby Letter of Credit No. C72-13228 issued by Continental Bank in the amount of \$4,776,000. Beneficiary Continental Casualty.

NOTICE OF BORROWING

TO THE BANKS AND THE AGENT
REFERENCED BELOW:

This Notice of Borrowing is given pursuant to SECTION 2.3 of that certain Credit Agreement, dated as of _____, 1994, as the same may have been amended to the date hereof (the "Credit Agreement"), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the several financial institutions from time to time party thereto (collectively, the "Banks"; individually, a "Bank"), and Bank of America National Trust and Savings Association, as Agent (as defined in the Credit Agreement). Terms defined in the Credit Agreement are used herein with the same meanings.

The undersigned hereby gives the Agent irrevocable notice that the Company requests a Borrowing under the Credit Agreement as follows:

1. DATE OF BORROWING. The requested date of the proposed Borrowing is _____, 19__.
2. DETAILS OF BORROWING. The proposed Borrowing is in the amount of \$_____ at the following interest rate (check as applicable):
 - (A) An Offshore Rate Borrowing for an Interest Period of ___ months expiring on _____.
 - (B) A Base Rate Borrowing.

The undersigned hereby certifies that on the date hereof, and on the date of the proposed Borrowing, all conditions precedent under SECTION 5.1. and SECTION 5.2 of the Credit Agreement to the making of the Loans constituting the proposed Borrowing are satisfied.

Dated: _____, 19__.

ABM INDUSTRIES INCORPORATED, a
Delaware corporation

By _____

Title: _____

EXHIBIT A

NOTICE OF CONVERSION/CONTINUATION

TO THE BANKS AND THE AGENT
REFERENCED BELOW:

This Notice of Conversion/Continuation is given pursuant to SECTION 2.4 of that certain Credit Agreement, dated as of _____, 1994, as the same may have been amended to the date hereof (the "Credit Agreement"), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the several financial institutions from time to time party thereto (collectively, the "Banks"; individually, a "Bank"), and Bank of America National Trust and Savings Association, as Agent (as defined in the Credit Agreement). Terms defined in the Credit Agreement are used herein with the same meanings.

The undersigned hereby gives the Agent irrevocable notice that the Company requests the [conversion] [continuation] of a Borrowing under the Credit Agreement as follows:

(a) Convert \$ _____ in principal amount of Base Rate Borrowings on _____, 19__, to an Offshore Rate Borrowing; with an interest period of ____ months and expiring on _____, 19__;

(b) Convert \$ _____ in principal amount of Offshore Rate Borrowings on _____, 19__ to a Base Rate Borrowing;

(c) Continue as Offshore Rate Borrowings \$ _____ in principal amount of presently outstanding Offshore Rate Borrowings, commencing on _____, 19__, with an interest period of ____ months and expiring on _____, 19__.

Dated: _____, 19__.

ABM INDUSTRIES INCORPORATED,
a Delaware corporation

By _____

Title: _____

EXHIBIT B

COMPLIANCE CERTIFICATE

TO THE BANKS AND THE AGENT
REFERENCED BELOW:

The undersigned hereby certifies that:

1. This Compliance Certificate is being delivered pursuant to SECTION 7.2(a) of that certain Credit Agreement, dated as of _____, 1994, as the same may have been amended to the date hereof (the "Credit Agreement"), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the several financial institutions from time to time party thereto (collectively, the "Banks"; individually, a "Bank"), and Bank of America National Trust and Savings Association, as Agent (as defined in the Credit Agreement). Terms defined in the Credit Agreement are used herein with the same meanings.

2. The undersigned is a Responsible Officer of the Company with the title set forth below his signature hereon.

3. The undersigned has reviewed the terms of the Credit Agreement with a view toward determining whether the Company has complied with the terms thereof in all material respects, has made, or has caused to be made under the undersigned's supervision, a review in reasonable detail of the transactions and condition of the Company and its Subsidiaries as of the fiscal quarter [and fiscal year] ending _____, 19__ (the "Determination Date"), and the accompanying financial statements as of such date and for the fiscal quarter [and fiscal year] then ending, and such review has disclosed that:

(a) The Leverage Ratio as of the Determination Date was _____:1.00.00, and [complies] [does not comply] with Section 8.15(a) of the Credit Agreement.

(b) The consolidated net worth of the Company as of the Determination Date was \$_____, and [complies] [does not comply] with Section 8.15(b) of the Credit Agreement.

(c) The Fixed Charge Coverage Ratio as of the Determination Date was _____:1, and [complies] [does not comply] with Section 8.15(c) of the Credit Agreement.

(d) The quarterly consolidated net income of the Company for the fiscal quarter ending on the Determination Date was \$_____, and for the preceding fiscal quarter was _____.

EXHIBIT C

\$ _____, and [complies] [does not comply] with Section 8.15(d) of the Credit Agreement.

The detail showing the method of calculation of the foregoing ratios and figures is set forth in the schedule attached to this certificate.

4. As of the date of this certificate:

(i) the representations and warranties contained in Article VI of the Credit Agreement are true and correct on and as of such date, as though made on and as of such date;

(ii) no Default or Event of Default exists or would result from the initial Borrowing; and

(iii) there has occurred since the date of financial statements referenced in SECTION 6.11 of the Credit Agreement, no event or circumstance that has resulted or could reasonably be expected to result in a Material Adverse Effect.

I hereby certify the foregoing information to be true and correct in all material respects and execute this Compliance Certificate on _____, 1994.

Title:
of ABM INDUSTRIES INCORPORATED

Opinion of
COUNSEL FOR COMPANY

[Closing Date]

To the Banks and the Agent
Referenced Below

Ladies and Gentlemen:

We have acted as counsel for ABM Industries Incorporated, a Delaware corporation ("Company"), in connection with that certain Credit Agreement, dated as of _____, 1994, as the same may have been amended to the date hereof (the "Credit Agreement"), among ABM Industries Incorporated, a Delaware corporation (the "Company"), the several financial institutions from time to time party thereto (collectively, the "Banks"; individually, a "Bank"), and Bank of America National Trust and Savings Association, as Agent (as defined in the Credit Agreement). Terms defined in the Credit Agreement are used herein with the same meanings. This opinion is being rendered to you at the request of our clients pursuant to Section 5.1(d) of the Credit Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion. As to various questions of fact material to our opinion, we have relied upon representations made to us by officers of the Company. We have discussed the matters addressed in this opinion with responsible officers of the Company to the extent we have deemed appropriate to enable us to render this opinion.

Based on the foregoing, we are of the opinion that:

1. Each of the Company and the Company's Subsidiaries set forth in the Schedule of Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

2. The execution, delivery and performance by the Company of the Credit Agreement, Notes, and the other Loan Documents to which it is a party are within the corporate powers

of the Company, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company, or result in the creation or imposition of any Lien on any asset of the Company, or any Subsidiary of the Company.

3. The Credit Agreement constitutes a valid and binding agreement of the Company, assuming the valid execution and delivery thereof by the other parties thereto (other than the Company), enforceable in accordance with its terms except as the enforceability thereof may be limited by bankruptcy, insolvency and similar laws affecting the enforcement of creditor's rights generally and by general principles of equity.

4. There is no action, suit or proceeding pending against, or to the best of our knowledge after due inquiry threatened against or affecting the Company, or any Subsidiary of the Company before any court or arbitrator or any governmental body, agency or official, in which there is a significant possibility of an adverse decision which could, result in a Material Adverse Change, or which in any manner draws into question the validity of the Credit Agreement, the Notes or any other Loan Document.

5. The making of the Loans and the application of the proceeds thereof by the Company as provided in the Credit Agreement do not violate the Regulation G, T, U or X of the FRB.

6. The Company is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company act of 1940, as amended.

We are members of the Bar of the State of California and the foregoing opinion is limited to the laws of the State of California, the federal laws of the United States of America, and the General Corporation Law of the State of Delaware.

The opinions expressed herein are solely for your benefit in connection with the above transaction and may not be relied on in any manner or for any purpose by any other person. Copies may not be furnished to any other person without our prior written consent, except that you may furnish copies hereof: (a) to your independent auditors and attorneys; (b) to any governmental authority having regulatory jurisdiction over you; (c) pursuant to order or legal process of any court or governmental agency; (d) in connection with any legal action to

which you are a party arising out of the above transactions; (e) any proposed participant or assignee in any Bank's interest in any Obligations or Commitment; and (f) any successor to the Agent.

Very truly yours,

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

This ASSIGNMENT AND ACCEPTANCE AGREEMENT (this "AGREEMENT") dated as of _____, 19__ is made between _____ (the "Assignor") and _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Credit Agreement dated as of September 22, 1994 among ABM INDUSTRIES INCORPORATED, a Delaware corporation (the "COMPANY"), the banks named therein (including the Assignor, the "BANKS"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent (as from time to time amended, restated, supplemented or otherwise modified, the "CREDIT AGREEMENT"). Terms defined in the Credit Agreement are used herein with the same meanings;

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to make committed loans (the "LOANS") to the Company in an aggregate amount not to exceed _____ (\$_____) (the "AGGREGATE COMMITMENT");

WHEREAS, [the Assignor has made Loans to the aggregate principal amount of \$_____ to the Company] [no Loans are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee part of the rights and obligations of the Assignor under the Credit Agreement, together with a corresponding portion of each of its outstanding Loans, in an amount equal to \$_____ (the "ASSIGNED AMOUNT") on the terms listed on Schedule I hereto and subject to the conditions set forth herein, and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. ASSIGNMENT AND ACCEPTANCE.

(a) With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, the Assigned Amount, which shall

be equal to _____ percent (____%) (the "ASSIGNEE'S PERCENTAGE SHARE") of all of the Assignor's rights and obligations under the Credit Agreement, and any outstanding Loans and L/C Obligations. The assignment set forth in this Section 1(a) shall be without recourse to, or representation or warranty (except as expressly provided in this Agreement) by the Assignor.

(b) With effect on and after the Effective Date, the Assignee shall be a party to the Credit Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Bank under the Credit Agreement, including the requirements concerning confidentiality, with Loans equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank.

2. PAYMENTS.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to \$_____, representing the Assignee's Percentage Share of the principal amount of all Loans previously made, and currently owned, by the Assignor to the Company under the Credit Agreement and outstanding on the Effective Date.

(b) The [Assignor][Assignee] further agrees to pay to the Agent a processing fee in the amount of \$3,000.00.

(c) To the extent payment to be made by the Assignee pursuant to Section 2(a) hereof is not made when due, the Assignor shall be entitled to recover such amount together with interest thereon at the Federal Funds Rate per annum accruing from the date such amounts were due. For purposes hereof, "Federal Funds Rate" shall mean, for any day, the weighted average of the rate on overnight Federal funds transactions, with members of the Federal Reserve System, only, arranged by Federal funds brokers, as published as of such day by the Federal Reserve Bank of New York.

3. REALLOCATION OF PAYMENTS.

Any interest, commissions, fees and other payments accrued to but excluding the Effective Date with respect to the Loans, shall be for the account of the Assignor. Any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of

the Assignee. Each of the Assignor and the Assignee agree that it will hold in trust for the other party any interest, commissions, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt. The Assignor and the Assignee's obligations to make the payments referred to in this Section 3 are non-assignable.

4. INDEPENDENT CREDIT DECISION.

The Assignee (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Agreement; and (b) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement.

5. EFFECTIVE DATE; NOTICES.

(a) The effective date for this Agreement shall be _____ (the "EFFECTIVE DATE"); PROVIDED that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Agreement shall be executed and delivered by the Assignor and the Assignee;

(ii) the consent of the Company and the Agent [and the beneficiaries of any outstanding Several Letters of Credit] required for an effective assignment of the Assigned Amount by the Assignor to the Assignee shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Agreement; and

(iv) the recordation fee referred to in Section 2(b) of this Agreement and in Section 11.8(a) of the Credit Agreement shall have been paid to the Agent.

(b) Promptly following the execution of this Agreement, the Assignor shall deliver to the Agent for acceptance and recording by the Agent, the notices, agreements or other documents as may be required under the Credit Agreement.

[6. AGENT [INCLUDE ONLY IF ASSIGNOR IS AGENT].

(a) The Assignee hereby appoints and authorizes the Assignor to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the Banks pursuant to the terms of the Credit Agreement.

(b) The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Agent under the Credit Agreement.]

7. WITHHOLDING TAX.

The Assignee agrees to comply with Section 4.1(f) of the Credit Agreement as if the date of this Agreement were the Closing Date of the Credit Agreement.

8. REPRESENTATIONS AND WARRANTIES.

(a) The Assignor represents and warrants that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any lien, security interest or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Agreement and any other documents required or permitted to be executed or delivered by it in connection with this Agreement and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Agreement, and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the

Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Company, any Guarantor or the performance or observance by the Company, any Guarantor of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Agreement and any other documents required or permitted to be executed or delivered by it in connection with this Agreement, and to fulfill its obligations hereunder; (ii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Agreement; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Agreement has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, except subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is eligible under the Credit Agreement to be an assignee of the Loans.

9. FURTHER ASSURANCES.

The Assignor and the Assignee each hereby agrees to execute and deliver such other instruments, and take such other action, as either party may reasonably request in connection with the transactions contemplated by this Agreement, including, without limitation, the delivery of any notices or other documents or instruments to the Company, the Agent or any Guarantor which may be required in connection with the assignment and acceptance contemplated hereby.

10. INDEMNITY.

The Assignee agrees to indemnify and hold harmless the Assignor against any and all losses, costs, expenses (including, without limitation, reasonable attorneys' fees and the allocation

of costs and expenses for in-house counsel) and liabilities incurred by the Assignor in connection with or arising in any manner from the non-performance by the Assignee of any obligation assumed by the Assignee under this Agreement.

11. MISCELLANEOUS.

(a) Any amendment or waiver of any provision of this Agreement shall be in writing signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof any waiver of any breach of the provisions of this Agreement shall be without prejudice to any rights with respect to any other or further breach hereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) All communications among the parties or notices in connection herewith shall be in writing (including facsimile transmission or telex) and delivered, telexed or telecopied, addressed as follows: (i) if the Assignor or the Assignee, at their respective addresses set forth on the signature pages hereof and (ii) if to the Company or the Agent, at their respective addresses set forth in the Credit Agreement or any other documents or instruments delivered pursuant thereto. All such communications and notices shall be effective upon receipt. The Assignee specifies as its Domestic and Offshore Lending Office(s) the offices set forth beneath its name on the signature pages hereof.

(d) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Agreement.

(e) The representations and warranties made herein shall survive the consummation of the transactions contemplated hereby.

(f) This Agreement shall be binding upon and inure to the benefit of the Assignor and the Assignee and their respective successors and assigns; provided, however, that no party shall assign its rights and obligations hereunder without the prior written consent of the other party and any purported assignment, absent such consent, shall be void. The preceding sentence shall not limit the right of the Assignee to assign or participate all or part of the Assignee's Percentage Share and the Assigned Amount and any

outstanding Loans attributable thereto in the manner contemplated by the Credit Agreement.

(g) The Assignor may at any time or from time to time grant to others assignments or participations in the Loans but not in the portions thereof assigned to the Assignee pursuant to this Agreement.

(h) This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(i) This Agreement shall be governed by and construed in accordance with the law of the State of California. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any California State or Federal court sitting in the City and County of San Francisco over any suit, action or proceeding arising out of or relating to this Agreement and irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such California State or Federal court. Each party to this Agreement hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(j) This Agreement and any agreement, document or instrument attached hereto or referred to herein integrate all the terms and conditions mentioned herein or incidental hereto, constitutes the entire agreement and understanding between the parties hereto and supersedes any and all prior agreements and understandings related to the subject matter hereof. In the event of any conflict between the terms, conditions and provisions of this Agreement and any such agreement, document or instrument, the terms, conditions and provisions of this Agreement shall prevail.

(k) In the event of any inconsistency between the provisions of this Agreement and Schedule I hereto, this Agreement shall control. Headings are for reference only and are to be ignored in interpreting this Agreement.

(l) The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

(m) The Assignor and the Assignee each hereby knowingly, voluntarily and intentionally waive any rights they may have

to a trial by jury in respect of any litigation based hereon, or arising out of, under, or in connection with this Agreement, the Credit Agreement, any related documents and agreements or any course of conduct, course of dealing, statements (whether oral or written).

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[_____]
Assignor

By: _____
Title: _____

Assignee

By: _____
Title: _____

TO THE AGENT BELOW NAMED

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of September 22, 1994 (the "CREDIT AGREEMENT") between _____ CORPORATION (the "COMPANY"), the Banks referred to therein, BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Agent and BA SECURITIES, INC., as Arranger. Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request the consent of the Company and the Agent to, the assignment by _____ (the "ASSIGNOR") to _____ (the "ASSIGNEE") of _____% of the right, title and interest of the Assignor in and to the Credit Agreement and all outstanding Loans made by the Assignor.

2. The Assignee agrees that, upon receiving the consent of the Company and the Agent to such assignment and from and after the Assignment Effective Date, the Assignee will be bound by the terms of the Credit Agreement, with respect to the interest in the Credit Agreement assigned to it as specified above, as fully and to the same extent as if the Assignee were the Bank originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the assignee:

(A) Offshore Lending Office:

Assignee name: _____
Address: _____
Attention: _____
Telephone: (____) _____
Telecopier: (____) _____
Telex (Answerback): _____

(B) Domestic Lending Office:

Assignee name: _____
Address: _____

Attention: _____
Telephone: (____) _____
Telecopier: (____) _____
Telex (Answerback): _____

(C) Notice Address:

Assignee name: _____
Address: _____

Attention: _____
Telephone: (____) _____
Telecopier: (____) _____
Telex (Answerback): _____

(D) Payment Instructions:

Account No.: _____
At: _____

Reference: _____
Attention: _____

IN WITNESS WHEREOF, the Assignor and the Assignor have caused this Notice of Assignment and Acceptance to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[Name of Assignor]

By: _____
Title:

[Name of Assignee]

By: _____
Title:

The Undersigned hereby consent to the above Assignment and Acceptance

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Agent

By: _____
Title: _____

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Issuing Bank

By: _____
Title: _____

_____ as beneficiary under a Several Letter of Credit

By: _____
Title: _____

NOTE

_____, 1994

1. PROMISE TO PAY. FOR VALUE RECEIVED, ABM INDUSTRIES INCORPORATED, a Delaware corporation (the "Company"), promises to pay to _____ (the "Bank"), or order: (a) the unpaid principal amount of each Loan made by the Bank to the Company in the manner and on the date(s) provided for in that certain Credit Agreement, dated as of _____, 1994 (as amended, the "Credit Agreement"), among the Company, the several financial institutions from time to time party thereto (collectively, "Banks"), and Bank of America National Trust and Savings Association, as Agent (as defined in the Credit Agreement); (b) interest on the outstanding principal amount of each such Loan in the manner, on the date(s), and at the rate(s) provided for in the Credit Agreement; and (c) such other charges and fees with respect to such Loans (together with interest thereon) as are provided for in the Credit Agreement in the manner and on the dates provided for therein. All payments to be made hereunder shall be payable in Dollars in immediately available funds at the place and by the time provided for in the Credit Agreement.

2. DEFINED TERMS. All terms used herein which are defined in the Credit Agreement shall have the meaning set forth therein, unless specifically defined herein.

3. INCORPORATION. This Note is one of the promissory notes defined in the Credit Agreement as the "Note" and is subject to, and entitled to the benefits of, the terms and provisions of the Credit Agreement. Reference is made to the Credit Agreement for provisions for the repayment, prepayment, and acceleration of the maturity hereof, all of which terms are hereby incorporated herein by this reference.

THIS NOTE IS SUBJECT TO THE PROVISIONS OF SECTIONS 11.15 AND 11.16 OF THE CREDIT AGREEMENT RELATING TO GOVERNING LAW AND JURISDICTION AND WAIVER OF JURY TRIAL; ALL SUCH PROVISIONS ARE HEREBY INCORPORATED HEREIN IN FULL.

ABM INDUSTRIES INCORPORATED,
a Delaware corporation

By _____

Title: _____

The Banks listed on
Schedule 1 hereto
(the "L/C Banks")

Irrevocable Several Standby Credit

Date of Issue:
_____, 19__

Date and Place of Expiry:
_____, 19__
San Francisco, California

Applicant:

ABM Industries Incorporated

Beneficiary:

Amount: Up to an aggregate of

United States Dollars
(US \$_____)

Ladies and Gentlemen:

We hereby establish our Irrevocable Several Letter of Credit No. _____ ("Letter of Credit") in favor of _____ ("Beneficiary") in the amount of _____ (US \$_____) for the account of ABM Industries Incorporated ("ABM").

Draws may be made under this Letter of Credit on or after _____, 19__, but not later than the Expiration Date (as below defined) against presentation of (1) your sight draft, drawn on the L/C Banks, in the form of Annex 2, (2) a drawing request signed by a purported authorized officer of Beneficiary, in the form of Annex 1 (dated, with the blanks filled in), and (3) in the case of a drawing which exhausts the liability amount of this Letter of Credit, this Letter of Credit.

This Letter of Credit expires one year from the date hereof; PROVIDED that this Letter of Credit shall be automatically extended for additional one year periods from the date of any present or future expiration date unless the Paying Agent, at the request of any L/C Bank, has notified you not less than 60 days prior to the next expiration date that such expiration date shall not be extended (the date on which this Several Letter of Credit ultimately expires being the "Expiration Date").

The above drawing request and all communications with respect to this Letter of Credit shall be in writing, addressed to the L/C Banks in care of Bank of America National Trust and Savings Association, Global Agency #5596, 1455 Market Street, San Francisco, California 94103, Attn: _____, telecopier number _____, in its capacity as Paying Agent hereunder

("Paying Agent"), and presented to us by delivery in person or by telecopier (confirmed by telephone advice to the Paying Agent at the following number: (415) 953-0108 or (415) 622-1124) at such address, provided that the original of the above drawing request or such communications, as the case may be, shall be sent to us at such address by prepaid overnight courier for receipt by the Paying Agent within two (2) Business Days of the date of any such facsimile transmission.

The L/C Banks shall be entitled to conclusively rely for all purposes upon the demand for payment or any other communication made by you hereunder by telecopier (including, without limitation, each draft and document presented in connection therewith) notwithstanding any discrepancies between such demand for payment made by telecopier and the drafts or documents subsequently received by us from you with respect to such demand for payment or other communication. All directions, demands and correspondence regarding this Letter of Credit shall be sent at the risk of ABM. None of the Paying Agent or the L/C Banks shall be liable or in any way responsible for any inaccuracy, error, interruption, delay or other irregularity in transmission, delivery or teletransmission, nor shall any of them be liable or in any way responsible for the sufficiency, correctness, genuineness, falsification or legal effect or authority of any person presenting any documents under this Letter of Credit if such documents appear on their face to be in order.

If a drawing request is presented in compliance with the terms of this Letter of Credit to us at such address by 8:00 a.m. (San Francisco time) on any Business Day, each L/C Bank severally agrees that payment will be made on such Business Day by making payment of each such L/C Bank's Commitment Percentage (as hereinafter defined) times the amount of the drawing request available to the Paying Agent. And if such drawing request is so presented to us after 8:00 a.m. (San Francisco time) on any Business Day, payment will be made on the following Business Day by our making payment as aforesaid available to the Paying Agent. Paying Agent shall then disburse to the account of Beneficiary on the Business Day on which payment is made available to it the amount which it receives from the L/C Banks. If any instructions accompanying the drawing request under this Letter of Credit request that payment is to be made by transfer to an account with the Paying Agent or at another bank, the Paying Agent and/or such other bank may rely on an account number specified in such instructions, even if the account number identifies a person or entity different from the intended payee.

As used in this Letter of Credit, "Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks located in Los Angeles, California, San

Francisco, California or New York, New York are required or authorized by law to remain closed.

In the event that a drawing request is unacceptable to any L/C Bank, such L/C Bank shall provide prompt notice to the Beneficiary stating the reasons therefor to the following address:

Attention: _____

For purposes of Article 14 of the UCP (as hereinafter defined), the documents presented to such L/C Bank shall be deemed to be the copies, furnished by the Paying Agent to such L/C Bank (including telefacsimile copies), of the documents presented to the Paying Agent by the Beneficiary hereunder.

This Letter of Credit (including Schedule 1 hereto, which is incorporated herein by reference as though fully set forth herein) sets forth in full the terms of our undertaking and this undertaking shall not be in any way modified, amended, limited or amplified by reference to any document, instrument or agreement referred to herein, except only the drawing request and certificate referred to herein and the UCP; and any such reference shall not be deemed to incorporate herein by reference any document, instrument, or agreement except for such drawing requests and certificates.

This Letter of Credit is not transferable.

Multiple drawings under this Letter of Credit are permitted, and upon payment of any such drawing, the amount remaining available for drawing under this Letter of Credit shall be correspondingly and automatically reduced by the amount of such payment.

All banking charges are for the account of ABM.

By acceptance of this Letter of Credit, Beneficiary agrees that neither the issuance of this Letter of Credit nor the presentation of any items hereunder shall impose any liability upon Paying Agent. Beneficiary further agrees that (i) the liability of the L/C Banks under this Letter of Credit shall be several, and not joint, (ii) each L/C Bank shall be liable with respect to any draw hereunder solely in an amount equal to (A) the percentage ("Commitment Percentage") set forth opposite such L/C Bank's name under the column "Commitment Percentage" in Schedule 1 hereto, times (B) the amount of such draw, provided

that no L/C Bank shall be required under any circumstances to pay an amount greater than the amount of its Commitment, as set forth opposite such L/C Bank's name under the column "Commitment" in Schedule 1 hereto, and (iii) no L/C Bank shall have any liability for any failure by any other L/C Bank to make payment under this Letter of Credit.

All drawing requests under this Letter of Credit must bear the clause:

"Drawn under Several Letter of Credit (Bank of America NT&SA, as Paying Agent) Number _____ dated _____, 19__"

This Letter of Credit shall not be amended except with the written concurrence of Beneficiary, ABM, the Paying Agent and the L/C Banks.

This Letter of Credit expires on the Expiration Date at the offices of the Paying Agent at 5:00 p.m. San Francisco time.

We hereby severally, and not jointly, engage with you that a drawing request drawn strictly in compliance with the terms of this Letter of Credit shall meet with due honor upon presentation.

This Letter of Credit may be signed by each L/C Bank on separate counterpart signature pages, all of which, when taken together with this Letter of Credit, shall constitute but one and the same instrument.

This Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication Number 500 (the "UCP"), and, to the extent not inconsistent therewith, the laws of the State of California. If the Expiration Date occurs on a day (i) which is not a day on which the Paying Agent is open to conduct its business (a "Banking Day") for any reason referred to in Article 17 of the UCP, or (ii) which is not a Banking Day for any reason other than those referred to in such Article 17 and the next day which would normally be a Banking Day is not a Banking Day for any reason referred to in such Article 17, the Expiration Date shall be automatically extended to the Banking Day which is 30 Banking Days after the Expiration Date. If, for any reason referred to in such Article 17, any L/C Bank is not open to conduct its letter of credit business on any day on which payment is required from such L/C Bank hereunder, the date on which such payment is required shall be extended until the first day on which such L/C Bank is open to conduct its letter of credit business.

SCHEDULE 1

TO IRREVOCABLE SEVERAL LETTER OF CREDIT NO. _____

L/C BANKS

L/C BANK	COMMITMENT PERCENTAGE	Commitment
[_____]	\$ _____	____._____%
[_____]	\$ _____	____._____%
[_____]	\$ _____	____._____%
[_____]	\$ _____	____._____%
[_____]	\$ _____	____._____%
[_____]	\$ _____	____._____%
	\$ _____	100.000000000%

"Drawn under Several Letter of Credit
(Bank of America NT&SA, as Paying Agent)
Number _____ dated _____, 19__ "

DRAWING REQUEST

To the L/C Banks
c/o Bank of America National Trust and Savings Association
Global Agency #5596
1455 Market Street
San Francisco, CA 94103
Attention: _____

Ladies and Gentlemen:

The undersigned authorized officer of the undersigned
_____ ("Beneficiary"), on behalf of Beneficiary, hereby
draw on Several Letter of Credit (Bank of America NT&SA, as Paying Agent) Number
_____ dated _____, 19__ (the "Letter of Credit"), issued by you in
favor of Beneficiary. Any capitalized term used herein shall have its
respective meaning as set forth in the Letter of Credit.

In connection with this drawing, we hereby certify that:

1.(1) This drawing in the amount of US\$_____ [not more than
US\$_____.00] is being made pursuant to the Letter of Credit issued to
Beneficiary pursuant to _____

_____ ; and

2.(1) Beneficiary has the unconditional right to receive payment of
\$_____ under [_____
_____] , and such payment has not been
received by Beneficiary.

- -----

(1) Paragraphs 1 and 2 are intended to be adopted to effect the nature of the
obligation the Several Letter of Credit is intended to suggest. Language
inserted in the paragraphs shall be acceptable to Agent and Majority Banks.

IN WITNESS WHEREOF, the undersigned has executed and delivered this request on this ____ day of _____, 199__.

By _____

Title: _____,
Authorized Officer

SIGHT DRAFT

_____, 199__

To the L/C Banks under
Several Letter of Credit
(Bank of America NT&SA, as Paying Agent)
Number _____ dated _____, 19__,
c/o Bank of America National Trust and Savings Association, Global
Agency #5596, in its capacity as Paying Agent

At sight, pay to the order of ourselves
U.S.\$ _____.

[_____]

By _____

Title: _____

EXECUTIVE EMPLOYMENT AGREEMENT (PRINTED: 10/23/91)

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of November 1, 1991 by and between Mr. Martinn H. Mandles ("Mr. Mandles") and American Building Maintenance Industries, Inc. ("ABMI") for itself and on behalf of its subsidiary corporations as applicable herein.

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

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

WHEREAS, Mr. Mandles has been and desires to remain employed by ABMI, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

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

NOW THEREFORE, Mr. Mandles and ABMI agree as follows:

- A. EMPLOYMENT: ABMI hereby agrees to employ Mr. Mandles, and Mr. Mandles hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Mr. Mandles' title shall be Executive Vice President and Chief Administrative Officer of ABMI. All Administrative Departments of ABMI shall report directly to Mr. Mandles.
- C. DUTIES & RESPONSIBILITIES: Mr. Mandles shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Chairman of the Board of ABMI, to whom Mr. Mandles shall report and be accountable.
- D. PRINCIPAL OFFICE: During the Initial Term, and Extended Term if any, of this Agreement, Mr. Mandles shall be based at an ABMI office located in the County of Los Angeles ("County of Employment"), California ("State of Employment").
- E. TERM OF AGREEMENT: Employment hereunder shall commence on 11/1/91 for an initial term of two (2) years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- F. COMPENSATION: ABMI agrees to compensate Mr. Mandles, and Mr. Mandles agrees to accept as compensation in full, for Mr. Mandles' assumption and performance of duties and responsibilities pursuant to this Agreement:
 - 1. SALARY: A base salary paid in equal installments no less frequently than semi-monthly at the annual rate set forth in Paragraph XI hereof.
 - 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X2 hereof.

INITIALS: Mr. Mandles /s/ ABMI /s/

PAGE: 1 of 9

3. FRINGE BENEFITS: The then current fringe benefits generally provided by ABMI to all of its executives. Such benefits may include but not be limited to the use of an ABMI-leased car or car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave, vacation, and a service award plan. Each of these fringe benefits is subject to the applicable ABMI policy at all times. ABMI reserves the right to add, increase, reduce or eliminate any fringe benefit at any time.
- G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: ABMI shall pay directly or reimburse Mr. Mandles for reasonable business expenses of ABMI incurred by Mr. Mandles in connection with ABMI business, and approved in writing by the person with the title set forth in Paragraph C hereof, upon presentation to that person by Mr. Mandles within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in excess of Twenty-Five Dollars (\$25) each.
- H. BUSINESS CONDUCT: Mr. Mandles agrees to comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, procedures and instructions of ABMI, including but not limited to the following:
1. GOOD FAITH: Mr. Mandles shall not act in any way contrary to the best interest of ABMI.
 2. BEST EFFORTS: During all full-time employment hereunder, Mr. Mandles shall devote full working time and attention to ABMI, and shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of ABMI.
 3. VERACITY: Mr. Mandles shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of ABMI that are unauthorized by ABMI or are in any way untrue.
 4. DRIVER'S LICENSE: Mr. Mandles shall have and carry a valid driver's license issued by the State of Employment hereunder whenever Mr. Mandles is driving any motor vehicle in connection with ABMI business. Mr. Mandles agrees to immediately notify ABMI in writing if Mr. Mandles's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
- I. NO CONFLICT: Mr. Mandles represents to ABMI that Mr. Mandles is not bound by any contract with a previous employer or with any other business that might prevent Mr. Mandles from entering into this Agreement or disclosing information about any previous employer or any other business to ABMI, or might otherwise interfere with Mr. Mandles' employment hereunder.
- J. COMPANY PROPERTY: ABMI shall from time to time entrust to the care, custody and control of Mr. Mandles certain of ABMI's property, such as motor vehicles, equipment, supplies and documents. Such documents may include but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from ABMI documents, and documents compiled or prepared by Mr. Mandles for Mr. Mandles' use in connection with ABMI business. Mr. Mandles specifically acknowledges that all such documents are the property of ABMI, notwithstanding their preparation, care, custody, control or possession by Mr. Mandles at any time(s) whatsoever.
- K. GOODWILL & PROPRIETARY INFORMATION: In connection with Mr. Mandles' employment hereunder:

INITIALS: Mr. Mandles /s/

ABMI /s/

PAGE: 2 of 9

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

L. RESTRICTIVE COVENANTS: In recognition of Paragraph K hereof, Mr. Mandles hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter for as long as it shall be enforceable:

1. Except in the proper performance of this Agreement, Mr. Mandles shall not directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with ABMI.
2. Except in the proper performance of this Agreement, Mr. Mandles shall not directly or indirectly disclose or deliver to any other person or business any Proprietary Information obtained directly or indirectly by Mr. Mandles from or for ABMI.
3. Mr. Mandles shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of ABMI through the direct or indirect use of any Proprietary Information of ABMI, or by any other unfair or unlawful conduct.
4. Mr. Mandles agrees that for a reasonable time after the termination of this Agreement, which Mr. Mandles and ABMI hereby agree to be two (2) years, that Mr. Mandles shall not directly or indirectly for Mr. Mandles or for any other person or business, seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of ABMI with whom Mr. Mandles had direct business involvement on behalf of ABMI within the one (1) year prior to termination of this Agreement.

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

1. Upon commencement of the Modification Period: (a) Mr. Mandles shall immediately resign from full-time employment hereunder, and from any corporate offices and directorships then held, (b) Mr. Mandles shall promptly return all ABMI property in Mr. Mandles' possession to ABMI, including but not limited to any motor vehicles, equipment, supplies and documents set

INITIALS: Mr. Mandles /s/ ABMI /s/

PAGE: 3 of 9

forth in Paragraph J hereof, and (c) ABMI shall pay Mr. Mandles all previously earned and vested but as yet unpaid, salary, bonus or other contingent compensation, reimbursement of business expenses, and fringe benefits.

2. During the Modification Period: (a) ABMI shall continue to pay Mr. Mandles' monthly salary pursuant to Paragraph F1 hereof, with the understanding and agreement that such monthly salary shall constitute the full extent of ABMI's obligation to compensate Mr. Mandles, (b) Mr. Mandles shall not be eligible or entitled to receive or participate in any bonus or fringe benefits, (c) Mr. Mandles may exercise rights under COBRA to obtain medical insurance coverage as may be available to Mr. Mandles, (d) Mr. Mandles shall be deemed a part-time employee and not a full-time employee of ABMI, (e) Mr. Mandles shall provide ABMI with such occasional executive or managerial services as reasonably requested by the person with the title set forth in Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 03 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Mr. Mandles' right to receive such salary, and (f) ABMI shall pay directly or reimburse Mr. Mandles in accordance with the provisions of Paragraph G hereof for reasonable business expenses of ABMI incurred by Mr. Mandles in connection with such services requested by the person with the title set forth in Paragraph C hereof.
- 3 The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 03 hereof, (b) termination of this Agreement by ABMI for "just cause" as hereinafter defined, (c) Mr. Mandles accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which ABMI is engaged on the commencement date of the Modification Period, or (d) expiration of the Initial Term of this Agreement.

N. EXTENSION OF EMPLOYMENT. Immediately upon expiration of the Initial Term and absent reasonable notice to the contrary from either party to the other party, employment hereunder shall continue for an Extended Term on an "at will" basis, by which Mr. Mandles and ABMI mean that all terms and conditions applicable at the conclusion of the final year of the Initial Term of this Agreement shall remain in full force and effect, except that either of them has the right to terminate this Agreement for any reason whatsoever, or for no reason at all, at any time after giving thirty (30) days prior written notice to the other party. ABMI has the option, without terminating this Agreement or Mr. Mandles's employment hereunder, of placing Mr. Mandles on a leave of absence at the full compensation set forth in Paragraph F hereof for any or all of such thirty (30) day period in lieu of such notice.

O. TERMINATION OF EMPLOYMENT:

1. At any time during the Initial Term, or during the Extended Term if any, of this Agreement, ABMI shall have the right to terminate Mr. Mandles' employment hereunder subject only to a good faith determination by a majority of the Board of Directors of ABMI of "just cause." "Just cause" includes but is not limited to any theft or other dishonesty, or any material: (a) neglect of full-time or part-time employment duties, as applicable, (b) inability or unwillingness to perform full-time or part-time employment duties, as applicable, (c) insubordination, (d) abuse of alcohol or other drugs, (e) breach of this Agreement, (f) other misconduct, unethical or unlawful activity, or (g) other conduct that is harmful to ABMI.
2. With or without cause, Mr. Mandles may terminate employment hereunder after giving thirty (30) days prior written notice to ABMI.

INITIALS: Mr. Mandles /s/

ABMI /s/

PAGE: 4 of 9

3. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Mr. Mandles. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Mr. Mandles is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. ABMI shall pay to Mr. Mandles or his estate, as applicable, all prorated salary, bonus or other contingent compensation, reimbursement of business expenses, and fringe benefits which would have otherwise been payable to Mr. Mandles under this Agreement through the end of the month in which Total Disability or death occurs.
4. Upon termination of employment hereunder, Mr. Mandles shall immediately resign from full-time employment hereunder, and from any ABMI offices and directorships then held. Mr. Mandles shall promptly return all ABMI property in Mr. Mandles' possession to ABMI, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof. ABMI shall pay Mr. Mandles all previously earned and vested but as yet unpaid, salary, bonus or other contingent compensation, reimbursement of business expenses, and fringe benefits.
5. Nothing contained in this Agreement shall entitle Mr. Mandles to receive a bonus or other incentive or contingent compensation from ABMI based on any sales or profits made by ABMI after termination of full-time employment hereunder.

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

Q. **ARBITRATION CLAUSE:**

1. Except for the interpretation and enforcement of Paragraph L hereof (which, at ABMI's option, shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including but not limited to claims or disputes between Mr. Mandles and ABMI or its directors, officers, employees and agents regarding Mr. Mandles' employment or termination of employment hereunder, or any other business of ABMI, shall be resolved by mandatory, final and binding arbitration in accordance with the rules of the American Arbitration Association; provided, however, that no party shall be entitled to an award of general or punitive damages hereunder.
2. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the Area of Employment. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. **REMEDIES & DAMAGES:**

1. The parties agree that, in the event of a material breach or threatened breach of Paragraph L hereof, the damage or imminent damage to the value of ABMI's business shall be inestimable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that ABMI shall be entitled to the immediate issuance of a restraining order or an injunction against Mr. Mandles in the event of such breach or threatened breach, in addition to any other relief available to ABMI pursuant to this Agreement or under law.

INITIALS: Mr. Mandles /s/

ABMI /s/

PAGE: 5 of 9

2. Mr. Mandles agrees that the actual amount of damages resulting from any breach of any of the provisions of Paragraph L hereof would be impractical or impossible to ascertain. It is therefore agreed that the damages resulting from any such breach which involves any customer of ABMI shall be liquidated damages, not a penalty, in an amount equal to six (6) times the average monthly revenue which was payable by that customer to ABMI during the six (6) months immediately preceding the breach. This provision for liquidated damages is in addition to any other relief available to ABMI pursuant to this Agreement or under law.
3. To the full extent permitted under the laws of the State of Employment hereunder, Mr. Mandles authorizes ABMI to deduct from Mr. Mandles' compensation and from any other funds held for Mr. Mandles' benefit by ABMI, any damages or losses sustained by ABMI as a result of any breach or other violation of this Agreement by Mr. Mandles.

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

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

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

V. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

W. NOTICES:

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

Mr. Mandles: Mr. Martinn H. Mandles
4626 Maytime Lane
Culver City, California 90230

ABMI: American Building Maintenance Industries, Inc.
50 Fremont Street, 26th Floor
San Francisco, California 94105
Attention: Chairman of the Board

INITIALS: Mr. Mandles /s/

ABMI /s/

PAGE: 6 of 9

with a copy to:

American Building Maintenance Industries, Inc.
50 Fremont Street, 26th Floor
San Francisco, California 94105
Attention: General Counsel

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

X. SPECIAL PROVISIONS:

1. SALARY:

- (a) Two Hundred Thousand Dollars (\$200,000) per year from 11/1/91 through 10/31/92.
- (b) Two Hundred Ten Thousand Dollars (\$210,000) per year from 11/1/92 through 10/31/93.

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder, Mr. Mandles shall be paid a bonus based on the profit ("Profit") for each fiscal year, or partial fiscal year, of employment hereunder commencing November 1st and ending October 31st ("Fiscal Year") during the Initial Term, and during the Extended Term if any, of this Agreement.

- (a) Profit is defined as the consolidated income before income taxes of ABMI, excluding: (1) gains or losses on sales or exchanges of real property, (2) gains or losses on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of ABMI, (3) gains or losses on the discontinuation of any business unit of ABMI, (4) the prior year portion of any mid-year insurance credits or surcharges, (5) the prior year portion of any year-end audit adjustments, and (6) the discretionary portion of any contributions made to profit sharing or service award plans.
- (b) Such bonus for each year shall be the sum of (1) one percent of (1.0% of, or 0.01 times) the amount of any increase in Profit over the previous Fiscal Year's Profit, plus (2) one-tenth of one percent of (0.10% of, or 0.001 times) any current Fiscal Year's Profit.
- (c) Subject to proration in the event of modification or termination of employment hereunder, Mr. Mandles' maximum bonus for each year shall be fifty percent of (50% of, or 0.5 times) his Salary for that year as set forth in Paragraph F1 herein.
- (d) Mr. Mandles shall have the right to obtain an advance against such bonus at the end of each quarter of each Fiscal Year in an amount equal to seventy-five percent of (75% of, or 0.75 times) the projected amount of such bonus based on the Profit at that time.
- (e) The independent public accounting firm for ABMI shall determine the Profit and bonus for each Fiscal Year. ABMI shall pay Mr. Mandles the bonus for the Fiscal Year (or the balance thereof after any advances) when such accounting firm shall have made such determination. The bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such bonus is payable. Absent bad faith or material error, the conclusions of such accounting firm with respect to the amounts of the Profits and bonuses shall be conclusive upon Mr. Mandles and ABMI.

3. MEMBERSHIPS: During all full-time employment hereunder and in addition to the compensation set forth in Paragraph F hereof, ABMI shall pay directly or reimburse Mr. Mandles for any applicable initiation fees, special assessments and regular dues for The Marina City Club or an equivalent. If Mr. Mandles' employment with ABMI terminates while Mr. Mandles is a member of such club(s), Mr. Mandles shall have the option of retaining such memberships by reimbursing ABMI only for such initiation fees and special assessments that were paid directly or reimbursed by ABMI. If any such memberships for which ABMI paid or reimbursed the initiation fees and special assessments are sold or transferred while Mr. Mandles is employed by ABMI, the full amount of the proceeds from any such sale or transfer shall be paid to ABMI.

4. CONSULTANCY: Upon Mr. Mandles' retirement from full-time employment with ABMI, but commencing no earlier than Mr. Mandles sixty-fifth (65th) birthday or his Total Disability as set forth in Paragraph 03 hereof, ABMI shall pay to Mr. Mandles consulting fees ("Consulting Fees") in equal monthly installments of Eight Hundred Thirty-Three Dollars and Thirty-Three Cents (\$833.33) for a period of ten (10) years ("Consultancy").

(a) During the Consultancy: (1) Mr. Mandles shall provide ABMI with such occasional executive or managerial services as reasonably requested by the person with the title set forth in Paragraph C hereof, except that failure to render such services by reason of death or disability, or unavailability because of absence from the County of Employment, shall not affect Mr. Mandles' right to receive such Consulting Fees, (2) ABMI shall pay directly or reimburse Mr. Mandles for reasonable business expenses of ABMI incurred by Mr. Mandles in connection with such services requested by the person with the title set forth in Paragraph C hereof, upon presentation to that person by Mr. Mandles within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in excess of Twenty-Five Dollars (\$25) each, (3) ABMI shall pay Mr. Mandles' Consulting Fees pursuant to this Paragraph X4, with the understanding and agreement that such Consulting Fees shall constitute the full extent of ABMI's obligation to compensate Mr. Mandles for such consulting services except as otherwise specifically provided in Paragraphs X4 herein, (4) Mr. Mandles shall not be eligible or entitled to receive or participate in any other ABMI fringe benefits, and (5) Mr. Mandles shall be deemed an independent contractor and not an employee of ABMI.

(b) If Mr. Mandles dies during the Initial Term, or during the Extended Term if any, of this Agreement, or during the Consultancy before payment in full to him of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Mr. Mandles' estate commencing with the month after death occurs.

5. SCOPE OF CERTAIN PROVISIONS: All references to ABMI in Paragraphs D, H, I, J, K, L, M1, M2, 01, 04, 05, Q, R, X2 and Y in this Agreement shall include ABMI and its subsidiary corporations.

Y. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement between Mr. Mandles and ABMI, and may only be changed by a written amendment signed by both Mr. Mandles and ABMI.

1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

November 1, 1993

Mr. Martinn H. Mandles
American Building Maintenance Industries, Inc.
9831 West Pico Boulevard
Los Angeles CA 90035

RE: AMENDMENT OF EMPLOYMENT AGREEMENT

Dear Martinn:

This letter of amendment ("Letter") is being sent as a follow up to the letter sent to you by Sydney J. Rosenberg wherein you were given formal notice that your Corporate Executive Employment Agreement dated as of November 1, 1991 ("Agreement") would not be automatically renewed.

As you are aware, Sydney's letter was sent to you upon the authority of ABM's Board of Directors and its Executive Compensation Committee, which is in the process, with the assistance of its compensation consultants, of re-evaluating the Company's program for compensating its senior corporate executives in light of: (1) changes which have been made in the manner in which public companies must report executive compensation to their stockholders and (2) increased emphasis being placed upon financial performance as a determining factor in setting executive compensation.

Because of the complexities of this examination, the Board of Directors has authorized the Company to extend your Agreement on the identical terms and conditions for the period of November 1, 1993 through October 31, 1994 at the annual salary in effect on October 31, 1993, as set forth in Paragraph X.1 of the Agreement plus an increase of five (5%) per cent. Your bonus for the fiscal year ending October 31, 1994 will be the same percentage as set forth in Paragraph X.2 of the Agreement.

All other items and conditions of your Agreement will remain unchanged with the following exceptions. Please note that these following changes were approved by the Board of Directors to be retroactive to November 1, 1991:

(A) PARAGRAPHS X.2(b)(4) AND (6) SPECIAL PROVISIONS: BONUS: shall be rewritten to read as follows (Note: Paragraphs X.2(a), (b) (1) (2) (3) and (5) remain unchanged:

(4) THE PRIOR-YEAR PORTION OF ANY YEAR-END INSURANCE RESERVE ADJUSTMENTS,

(6) THE DISCRETIONARY PORTION OF ANY COMPANY CONTRIBUTION MADE TO ANY PROFIT SHARING, SERVICE AWARD OR SIMILAR PLANS.

(B) PARAGRAPH X.4 AND X.4(b) CONSULTANCY: shall be rewritten as follows (Note: Paragraph X.4(a) shall remain unchanged):

CONSULTANCY: UPON EXECUTIVE'S RESIGNATION FROM EMPLOYMENT WITH COMPANY, COMPANY SHALL PAY TO EXECUTIVE NO EARLIER THAN EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, CONSULTING FEES ("CONSULTING FEES") IN EQUAL INSTALLMENTS OF ONE THOUSAND DOLLARS (\$1,000.00) PER MONTH FOR A PERIOD OF TEN (10) YEARS ("CONSULTANCY").

(b) IF EXECUTIVE DIES BEFORE RECEIVING ANY OR ALL PAYMENTS TO EXECUTIVE OF SUCH CONSULTING FEES, ALL UNPAID CONSULTING FEES SHALL BE PAID MONTHLY TO EXECUTIVE'S ESTATE COMMENCING WITH THE MONTH AFTER DEATH OR WITH THE MONTH IN WHICH EXECUTIVE WOULD HAVE REACHED EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, WHICHEVER IS LATER.

Please sign and date all three (3) originals of this Letter and return two (2) of them to me. If you have any questions, please do not hesitate to call.

Very truly yours,

William W. Steele

WWS/dar
Enclosures

I hereby agree to the foregoing amendments of the Agreement.

Dated: _____, 1993

November 14, 1994

Mr. Martinn H. Mandles
ABM Industries Incorporated
50 Fremont Street
San Francisco CA 94105

RE: SECOND AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear Martinn :

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: "Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of two years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

- "(a) Two Hundred Twenty-Five Thousand Six Hundred One Dollars (\$225,601.00) from 11/1/94 through 10/31/95.
- (b) Effective 11/1/95 through 10/31/96, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association

("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (c) through (e) remain unchanged; Introduction, and sub-paragraphs (a), (b) and (f) shall be amended to read: "Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (a) Such Bonus for each Fiscal Year of the Company shall be 0.1120 per cent of the Company's annual Profit plus 1.7380 per cent of the amount of any increase in the Company's annual profit over the previous Fiscal Year's profit .
- (b) Profit is defined as the consolidated income before income taxes of Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company and, (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the

Mr. Martinn H. Mandles
November 14, 1994
Page Three

Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

PARAGRAPH X.4(b) CONSULTANCY shall be amended in its entirety to read:

- (b) If Executive dies before receiving any or all payments to Executive of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Executive's estate commencing with the month after death or with the month in which Executive would have reached Executive's sixty-fifth (65th) birthday.

In all other respects the Agreement, as previously amended, shall remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

William W. Steele

WWS/dar
Encl.

I agree to the foregoing.

Date:

- -

November 14, 1994

Mr. William W. Steele
ABM Industries Incorporated
50 Fremont Street
San Francisco CA 94105

RE: AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear Bill:

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated ("ABM").

PARAGRAPH B. TITLE shall be amended in its entirety to read: Mr. Steele's title shall be President and Chief Executive Officer of ABM Industries Incorporated. The Executive Vice President, Senior Vice Presidents, Chief Financial Officer and all Division Presidents, of ABM shall report directly to Mr. Steele.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of three (3) years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

- (a) Four Hundred Sixty Thousand Five Hundred Dollars (\$460,500.) from 11/1/94 through 10/31/95.

- (b) Effective 11/1/95 through 10/31/97, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (c) through (e) remain unchanged; Introduction, and sub-paragraphs (a), (b) and (f) shall be amended to read: Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (a) Such Bonus for each Fiscal Year of the Company shall be 0.2240 per cent of the Company's annual Profit plus 3.4760 per cent of the amount of any increase in the Company's annual Profit over the previous Fiscal Year's Profit.
- (b) Profit is defined as the consolidated income before income taxes of Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company and, (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

PARAGRAPH X.4 CONSULTANCY (but not subparagraphs (a)(1) through (a)(6) which shall remain unchanged with the exception that the word "and" preceding "(6)" shall be deleted and subparagraph (b) which remain unchanged) shall be amended to read: Unless sooner terminated pursuant to Paragraph X4(b) hereof, Mr. Steele shall earn, and ABM shall pay to Mr. Steele consulting fees ("Consulting Fees") in equal monthly installments for a period of ten (10) years ("Consultancy") commencing on the earlier of: (a) 11/1/97 if Mr. Steele has remained a full-time employee of ABM hereunder from 11/1/94 through 10/31/97, or upon expiration of an Extended Term, if any, of this Agreement, whichever is later, or (b) Mr. Steele's sixty-fifth (65th) birthday. The total amount of such Consulting Fees shall be the sum of: (a) \$540,000. plus (b) \$76,666.67 times the number of years commencing on 11/1/94 of Mr. Steele's future full-time, active employment with ABM during an Extended Term of this Agreement.

- (a) and (7) Notwithstanding anything to the contrary expressed in the provisions of Paragraph X.3, ABM shall pay directly or reimburse Mr. Steele for any special assessment or regular dues for The Rainier Club, The 101 Club and The Washington Athletic Club, all in Seattle, as though Mr. Steele were still a full-time employee of ABM; and the provisions set forth in the final two sentences of Paragraph X.3 shall apply upon termination of the Consultancy or sale of the memberships.
- (c) If Mr. Steele dies before receiving any or all payments to Mr. Steele of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Mr. Steele's estate commencing with the month after death or with the month in which Mr. Steele would have reached Mr. Steele's sixty-fifth (65th) birthday, whichever is later.

PARAGRAPH X.5 CONSULTANCY, MEDICAL & DENTAL BENEFITS shall be amended in its entirety to read: During the Consultancy, but not after age seventy-four (74) for either Mr. or Mrs. Steele, ABM shall provide Mr. and Mrs. Steele medical and dental benefits which, together with whatever Medicare benefits are then available to them, shall be comparable to the medical and dental benefits then provided by ABM for its executive officers; provided; however, that ABM's share of the total premium shall not exceed ABM's contribution to the total premium during the final year of Mr. Steele's full-time, active employment by ABM and Mr. Steele shall pay the balance.

PARAGRAPH X.6 RESIDENTIAL RELOCATION LOAN shall be deleted in its entirety and replaced by a new provision as follows: REIMBURSEMENT FOR MOVING EXPENSES: As and when Mr. Steele moves his household effects from the San Francisco Bay Area to King County, Washington, ABM shall reimburse Mr. Steele for his reasonable, actual moving expenses, up to a maximum of Twenty-Five Thousand Dollars (\$25,000.), incurred for such moves, upon receipt of proper documentation thereof.

Mr. William W. Steele
November 14, 1994
Page Four

In all other respects the Agreement, as previously amended, will remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to me at the ABM Legal Department. Salary and Bonus increases will not be processed until I receive both signed copies.

Sincerely,

Harry H. Kahn

HHK/dar
Encl.

I agree to the foregoing.

Date:

November 1, 1993

Mr. John F. Egan
American Building Maintenance Industries, Inc.
50 Fremont Street
San Francisco CA 94105

RE: AMENDMENT OF EMPLOYMENT AGREEMENT

Dear Jack:

This letter of amendment ("Letter") is being sent as a follow up to the letter sent to you by Sydney J. Rosenberg wherein you were given formal notice that your Corporate Executive Employment Agreement dated as of November 1, 1991 ("Agreement") would not be automatically renewed.

As you are aware, Sydney's letter was sent to you upon the authority of ABM's Board of Directors and its Executive Compensation Committee, which is in the process, with the assistance of its compensation consultants, of re-evaluating the Company's program for compensating its senior corporate executives in light of: (1) changes which have been made in the manner in which public companies must report executive compensation to their stockholders and (2) increased emphasis being placed upon financial performance as a determining factor in setting executive compensation.

Because of the complexities of this examination, the Board of Directors has authorized the Company to extend your Agreement on the identical terms and conditions for the period of November 1, 1993 through October 31, 1994 at the annual salary in effect on October 31, 1993, as set forth in Paragraph X.1 of the Agreement plus an increase of five (5%) per cent.

All other terms and conditions of your Agreement will remain unchanged with the following exceptions:

(A) PARAGRAPH X.2 (a) BONUS shall be rewritten to read as follows:

SUCH BONUS FOR EACH FISCAL YEAR COMMENCING NOVEMBER 1, 1992 SHALL BE
.3132 PER CENT OF THE PROFIT OF THE JANITORIAL DIVISION OF THE COMPANY
PLUS 1.25% PER CENT OF THE PROFIT OF THE JANITORIAL SUPPLY DIVISION OF
THE COMPANY

(B) The first phrase of PARAGRAPH X.2(b) SPECIAL PROVISIONS: BONUS shall
be rewritten to read:

PROFIT IS DEFINED AS THE CONSOLIDATED INCOME BEFORE TAXES OF THE
JANITORIAL DIVISION AND THE JANITORIAL SUPPLY DIVISION OF COMPANY,
EXCLUDING...

(C) PARAGRAPHS X.2(b)(5) AND (7) SPECIAL PROVISIONS: BONUS shall be
rewritten to read as follows (Note: Paragraphs X.2(b) (1), (2), (3),
(4) and (6) remain unchanged):

(5) THE PRIOR-YEAR PORTION OF ANY YEAR-END INSURANCE RESERVE
ADJUSTMENTS,

(7) THE DISCRETIONARY PORTION OF ANY COMPANY CONTRIBUTION MADE TO ANY
PROFIT

Please note that the changes set forth in Paragraphs A & B above are
retroactive to November 1, 1992 while the changes to Paragraph C are retroactive
to November 1, 1991.

Please sign and date all three (3) originals of this Letter and return two
(2) of them to me. If you have any questions, please do not hesitate to call.

Very truly yours,

W. W. Steele

WWS/dar
Enclosures

I hereby agree to the foregoing amendments of the Agreement.

Dated: _____, 1993

November 14, 1994

Mr. John F. Egan
ABM Industries Incorporated
50 Fremont Street
San Francisco CA 94105

RE: SECOND AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear Jack:

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: "Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of two years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

- "(a) Three Hundred Fourteen Thousand Four Hundred Eight Dollars (\$314,408.00) from 11/1/94 through 10/31/95.
- (b) Effective 11/1/95 through 10/31/96, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association

("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (a) and (c) through (e) remain unchanged; Introduction, and sub-paragraphs (x), (b) and (f) shall be amended to read: "Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (b) Profit is defined as the consolidated income before income taxes of the Janitorial Division and the Janitorial Supply Division of Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans and (4) any so-called corporate charges imposed by the Company as a percentage of sales.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

Mr. John F. Egan
November 14, 1994
Page Three

PARAGRAPH X.4 CONSULTANCY shall be amended (except for subparagraph (a) and (b) which remain unchanged) to read: Upon Executive's retirement from employment with the Company, but commencing no earlier than Executive's sixty-fifth (65th) birthday, Company shall pay to Executive consulting fees ("Consulting Fees") equal to the sum of (i) \$471,428.56 plus (ii) \$42,857.14 times the number of years of Executive's full-time employment commencing November 1, 1994. Consulting Fees shall be payable in equal monthly installments determined by dividing the sum of (i) plus (ii) by 120 months ("Consultancy").

In all other respects the Agreement, as previously amended, shall remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

William W. Steele

WWS/dar
Encl.

I agree to the foregoing.

Date: _____

November 14, 1994

Mr. Sydney J. Rosenberg
ABM Industries Incorporated
9831 West Pico Boulevard
Los Angeles CA 90035

RE: AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear Sydney:

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated.

Paragraph B. TITLE shall be amended in its entirety to read: Mr. Rosenberg's title shall be Chairman of the Board of Directors of ABM Industries Incorporated.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: "Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of three (3) years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

"(a) Two Hundred Sixty-Five Thousand Five Hundred Dollars (\$260,500.00)
from 11/1/94 through 10/31/95.

- (b) Effective 11/1/95 through 10/31/97, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (c) through (e) remain unchanged; Introduction, and sub-paragraphs (a), (b) and (f) shall be amended to read: "Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (a) Such Bonus for each Fiscal Year of the Company shall be 0.1120 per cent of the Company's annual Profit plus 1.7380 per cent of the amount of any increase in the Company's annual Profit over the previous Fiscal Year's Profit.
- (b) Profit is defined as the consolidated income before income taxes of Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company and, (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

PARAGRAPH X.4(c) CONSULTANCY shall be amended in its entirety to read:

- (c) If Executive dies before receiving any or all payments to Executive of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Executive's estate commencing with the month after death or with the month in which Executive would have reached Executive's sixty-fifth (65th) birthday, whichever is later.

In all other respects the Agreement, as previously amended, will remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

William W. Steele

WWS/dar
Encl.

I agree to the foregoing.

Date: _____
- _____

November 1, 1993

Mr. Jess E. Benton, III
American Building Maintenance Industries, Inc.
50 Fremont Street
Suite 2600
San Francisco CA 94105

RE: AMENDMENT OF EMPLOYMENT AGREEMENT

Dear Jay:

This letter of amendment ("Letter") is being sent as a follow up to the letter sent to you by Sydney J. Rosenberg wherein you were given formal notice that your Corporate Executive Employment Agreement dated as of November 1, 1991 ("Agreement") would not be automatically renewed.

As you are aware, Sydney's letter was sent to you upon the authority of ABM's Board of Directors and its Executive Compensation Committee, which is in the process, with the assistance of its compensation consultants, of re-evaluating the Company's program for compensating its senior corporate executives in light of: (1) changes which have been made in the manner in which public companies must report executive compensation to their stockholders and (2) increased emphasis being placed upon financial performance as a determining factor in setting executive compensation.

Because of the complexities of this examination, the Board of Directors has authorized the Company to extend your Agreement on the identical terms and conditions for the period of November 1, 1993 through October 31, 1994 at the annual salary in effect on October 31, 1993, as set forth in Paragraph X.1 of the Agreement plus an increase of five (5%) per cent. Your bonus for the fiscal year ending October 31, 1994 will be the same percentage as set forth in Paragraph X.2 of the Agreement.

All other items and conditions of your Agreement will remain unchanged with the following exceptions. Please note that these following changes were approved by the Board of Directors to be retroactive to November 1, 1991:

- (A) PARAGRAPHS X.2(b)(5) AND (7) SPECIAL PROVISIONS: BONUS: shall be rewritten to read as follows (Note: Paragraphs X.2(a), (b) (1) (2) (3), (4) and (6) remain unchanged:
- (5) THE PRIOR-YEAR PORTION OF ANY YEAR-END INSURANCE RESERVE ADJUSTMENTS,
 - (7) THE DISCRETIONARY PORTION OF ANY COMPANY CONTRIBUTION MADE TO ANY PROFIT SHARING, SERVICE AWARD OR SIMILAR PLANS.
- (B) PARAGRAPH X.5 AND X.5(b) CONSULTANCY: shall be rewritten as follows (Note: Paragraph X.4(a) shall remain unchanged):
- CONSULTANCY: UPON EXECUTIVE'S RESIGNATION FROM EMPLOYMENT WITH COMPANY, COMPANY SHALL PAY TO EXECUTIVE NO EARLIER THAN EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, CONSULTING FEES ("CONSULTING FEES") IN EQUAL INSTALLMENTS OF ONE THOUSAND DOLLARS (\$1,000.00) PER MONTH FOR A PERIOD OF TEN (10) YEARS ("CONSULTANCY").
- (b) IF EXECUTIVE DIES BEFORE RECEIVING ANY OR ALL PAYMENTS TO EXECUTIVE OF SUCH CONSULTING FEES, ALL UNPAID CONSULTING FEES SHALL BE PAID MONTHLY TO EXECUTIVE'S ESTATE COMMENCING WITH THE MONTH AFTER DEATH OR WITH THE MONTH IN WHICH EXECUTIVE WOULD HAVE REACHED EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, WHICHEVER IS LATER.

Please sign and date all three (3) originals of this Letter and return two (2) of them to me. If you have any questions, please do not hesitate to call.

Very truly yours,

William W. Steele

WWS/dar
Enclosures

I hereby agree to the foregoing amendments of the Agreement.

_____ Dated: _____, 1993

November 14, 1994

Mr. Jess E. Benton III
ABM Industries Incorporated
50 Fremont Street
San Francisco CA 94105

RE: SECOND AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear Jay:

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated.

PARAGRAPH B. TITLE shall be amended in its entirety to read: Executive's title shall be Senior Vice President of Company.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: "Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of two years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

"(a) Two Hundred Fifty-Three Thousand Eight Hundred One Dollars (\$253,801.00) from 11/1/94 through 10/31/95.

- (b) Effective 11/1/95 through 10/31/96, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (c) through (e) remain unchanged; Introduction, and sub-paragraphs (a), (b) and (f) shall be amended to read: "Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (a) Such Bonus for each Fiscal Year of the Company shall be 0.3278 per cent of the Company's annual Profit.
- (b) Profit is defined as the consolidated income before income taxes of Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company and, (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

Mr. Jess E. Benton III
November 14, 1994
Page Three

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

In all other respects the Agreement, as previously amended, shall remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

William W. Steele

WWS/dar
Encl.

I agree to the foregoing.

Date: _____

November 1, 1993

American Building Maintenance Industries, Inc.
50 Fremont Street
Suite 2600
San Francisco CA 94105

RE: AMENDMENT OF EMPLOYMENT AGREEMENT

Dear _____:

This letter of amendment ("Letter") is being sent as a follow up to the letter sent to you by Sydney J. Rosenberg wherein you were given formal notice that your Corporate Executive Employment Agreement dated as of November 1, 1991 ("Agreement") would not be automatically renewed.

As you are aware, Sydney's letter was sent to you upon the authority of ABM's Board of Directors and its Executive Compensation Committee, which is in the process, with the assistance of its compensation consultants, of re-evaluating the Company's program for compensating its senior corporate executives in light of: (1) changes which have been made in the manner in which public companies must report executive compensation to their stockholders and (2) increased emphasis being placed upon financial performance as a determining factor in setting executive compensation.

Because of the complexities of this examination, the Board of Directors has authorized the Company to extend your Agreement on the identical terms and conditions for the period of November 1, 1993 through October 31, 1994 at the annual salary in effect on October 31, 1993, as set forth in Paragraph X.1 of the Agreement plus an increase of five (5%) per cent. Your bonus for the fiscal year ending October 31, 1994 will be the same percentage as set forth in Paragraph X.2 of the Agreement.

All other items and conditions of your Agreement will remain unchanged with the following exceptions. Please note that these following changes were approved by the Board of Directors to be retroactive to November 1, 1991:

- (A) PARAGRAPHS X.2(b)(5) AND (7) SPECIAL PROVISIONS: BONUS: shall be rewritten to read as follows (Note: Paragraphs X.2(a), (b) (1) (2) (3), (4) and (6) remain unchanged:
 - (5) THE PRIOR-YEAR PORTION OF ANY YEAR-END INSURANCE RESERVE ADJUSTMENTS,
 - (7) THE DISCRETIONARY PORTION OF ANY COMPANY CONTRIBUTION MADE TO ANY PROFIT SHARING, SERVICE AWARD OR SIMILAR PLANS.
- (B) PARAGRAPH X.5 AND X.5(b) CONSULTANCY: shall be rewritten as follows (Note: Paragraph X.4(a) shall remain unchanged):

CONSULTANCY: UPON EXECUTIVE'S RESIGNATION FROM EMPLOYMENT WITH COMPANY, COMPANY SHALL PAY TO EXECUTIVE NO EARLIER THAN EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, CONSULTING FEES ("CONSULTING FEES") IN EQUAL INSTALLMENTS OF ONE THOUSAND DOLLARS (\$1,000.00) PER MONTH FOR A PERIOD OF TEN (10) YEARS ("CONSULTANCY").

 - (b) IF EXECUTIVE DIES BEFORE RECEIVING ANY OR ALL PAYMENTS TO EXECUTIVE OF SUCH CONSULTING FEES, ALL UNPAID CONSULTING FEES SHALL BE PAID MONTHLY TO EXECUTIVE'S ESTATE COMMENCING WITH THE MONTH AFTER DEATH OR WITH THE MONTH IN WHICH EXECUTIVE WOULD HAVE REACHED EXECUTIVE'S SIXTY-FIFTH (65TH) BIRTHDAY, WHICHEVER IS LATER.

Please sign and date all three (3) originals of this Letter and return two (2) of them to me. If you have any questions, please do not hesitate to call.

Very truly yours,

William W. Steele

WWS/dar
Enclosures

I hereby agree to the foregoing amendments of the Agreement.

Dated: _____, 1993

November 14, 1994

ABM Industries Incorporated
50 Fremont Street
San Francisco CA 94105

RE: SECOND AMENDMENT OF CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

Dear _____:

As you are aware, your Corporate Executive Employment Agreement ("Agreement") in effect for the fiscal year ending October 31, 1994 did not automatically renew pending further action by the Company's Executive Compensation Committee ("Committee") and Board of Directors. On October 25, 1994 the Board of Directors accepted the recommendations of the Committee, and it is the purpose of this letter to amend that Agreement effective November 1, 1994 in accordance with the Committee's recommendations as follows:

The name of the Company as set forth in the first paragraph of the Agreement shall be amended to: ABM Industries Incorporated.

PARAGRAPH B. TITLE shall be amended in its entirety to read: Executive's title shall be _____ of the Company.

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be amended (except for its last sentence which shall remain unchanged) to read: "Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of two years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in Paragraph X1 shall be increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

"(a) _____ Dollars
(\$ _____) from 11/1/94 through 10/31/95.

(b) Effective 11/1/95 through 10/31/96, and for each year of an Extended Term of this Agreement, if any, the Salary in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association

("ACA") Index for the Western Region ("ACA Index") with a six per cent (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earnings per share ("EPS") for the fiscal year of the Company (commencing November 1 and ending October 31) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year of the Company. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

For example: for the Company's Fiscal Year commencing November 1, 1995, there would be no Salary increase unless the Company's EPS for the Fiscal Year of the Company ending October 31, 1995 equaled or exceeded the Company's EPS for Fiscal Year of the Company ending October 31, 1994;

PARAGRAPH X.2 BONUS Subparagraphs (a) and (c) through (e) remain unchanged; Introduction, and sub-paragraphs (x), (b) and (f) shall be amended to read: "Subject to the provisions of Paragraph X.2(f) and further subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year or partial Fiscal Year of the Company of employment hereunder during the Initial Term and during the Extended Term, if any, of this Agreement.

- (a) Such Bonus for each Fiscal Year of the Company shall be _____ per cent of the Company's annual Profit.
- (b) Profit is defined as the consolidated income before income taxes of the Security Division of the Company, excluding: (1) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (2) gains or losses on the discontinuation of any business unit of Company, (3) the discretionary portion of any contributions made to any profit sharing, service award or similar plans and (4) any so-called corporate charges imposed by the Company as a percentage of sales.
- (f) Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable: (i) unless the Company's EPS for the Fiscal Year then ending is equal to or greater than 80% of the Company's EPS for the previous Fiscal Year of the Company and (ii) in no event unless the Company's EPS for any Fiscal Year of the Company is equal to or greater than 80% of the Company's EPS for Fiscal Year ending October 31, 1994.

For example: for the Company's Fiscal Year ending October 31, 1996 there would be no Bonus payable unless: (x) the Company's EPS equals or exceeds 80% of the Company's EPS for the Company's Fiscal Year ending October 31, 1995; and (y) the

Company's EPS for the Fiscal Year ending October 31, 1996 equals or exceeds 80% of the Company's EPS for the Fiscal Year of the Company ending October 31, 1994.

In all other respects the Agreement, as previously amended, shall remain unchanged.

Please sign all three (3) copies of this letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

William W. Steele

WWS/dar
Encl.

I agree to the foregoing.

Date:

SUBSIDIARIES OF REGISTRANT

Name -----	State of Incorporation -----	Percentage of Voting Securities Owned by Immediate Parent -----
ABM Industries Incorporated	Delaware	Registrant
(1) ABM Janitorial Services - Northern California	California	100%
ABM Janitorial Services - Southern California	California	100%
American Building Maintenance Co. of Canada Ltd.	Canada	100%
American Building Maintenance Co. of Georgia	California	100%
American Building Maintenance Co. of Illinois	California	100%
American Building Maintenance Co. of Nebraska	California	100%
American Building Maintenance Co. of New York	California	100%
American Building Service Company	California	100%
American Building Maintenance Co. of Utah	California	100%
American Building Maintenance Co. - West	California	100%
American Plant Protection, Inc.	California	100%
Associated Building Maintenance of Canada Ltd.	British Columbia	100%
Supreme Building Maintenance Ltd.	British Columbia	100%
California Janitorial and Supply Co.	California	100%
Commercial Property Services, Inc.	California	100%
Bonded Maintenance Company	Texas	100%
Servall Services Inc.	Texas	100%
American Public Services	California	100%
Easterday Janitorial Supply Company	California	100%
American Security and Investigative Services, Inc.	California	100%
ABMI Investigative Services	California	100%
ABMI Security Services, Inc.	California	100%
American Commercial Security Services, Inc.	California	100%
Amtech Services Inc.	California	100%
American Building Maintenance Lighting Services Company	California	100%
Amtech Energy Services Company	California	100%
Amtech Lighting Services Company	California	100%
Amtech Mechanical Services Company	California	100%
Amtech Reliable Elevator Company	California	100%
Amtech Reliable Elevator Company of Texas	Texas	100%
ABM Engineering Services Company	California	100%
ABM Facility Services Company	California	100%
Bradford Building Services, Inc.	California	100%
Bradford Building Services Co. Ltd.	British Columbia	100%
Commercial Air Conditioning of Northern California, Inc.	California	100%
Southern California Building Services	California	100%
Accurate Janitor Service, Inc.	California	100%
Ampco System Parking	California	100%
Beehive Parking, Inc.	Utah	100%
System Parking, Inc.	California	100%
Towel and Linen Service, Inc.	California	100%
Internacional de Elevadores, S.A. de C.V.	Mexico	100%

(1) Subsidiary relationship to Registrant or to subsidiary parents shown by progressive indentation.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The Board of Directors
 ABM Industries Incorporated

We consent to incorporation by reference in the following Registration Statements on Form S-8 of ABM Industries Incorporated of our report dated December 19, 1994, related to the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 1994 and 1993, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended October 31, 1994, and the related schedule, which report appears in the October 31, 1994, annual report on Form 10-K of ABM Industries Incorporated.

Registration No. -----	Form ----	Plan -----
2-86666	S-8	Executive Stock Option Plan
2-96416	S-8	1985 Employee Stock Purchase Plan
33-14269	S-8	1987 Stock Option Plan

San Francisco, California
 January 27, 1995

YEAR

	OCT-31-1994	
	OCT-31-1994	7,368
		0
	140,788	
	4,067	
	17,420	
	189,442	56,902
	37,083	
	299,470	
99,277		0
		90
0		
	6,400	
	124,241	
299,470		
	884,633	
	884,633	
	760,056	
	760,056	
	96,059	
	0	
	3,459	
	25,059	
	9,890	
15,169		
	0	
	0	
		0
	15,169	
	1.65	
	1.65	