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

FORM 10-Q

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

For the quarterly period ended April 30, 2012

OR

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

For the transition period from to

Commission file number: 1-8929

ABM INDUSTRIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**94-1369354** **(I.R.S. Employer Identification No.)**
551 Fifth Avenue, Suite 300, New York, New York **(Address of principal executive offices)**	**10176** **(Zip Code)**

212-297-0200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at June 1, 2012
Common Stock, $0.01 par value per share	54,074,312 shares

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)	April 30, 2012 (Unaudited)	October 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 25,411	$ 26,467
Trade accounts receivable, net of allowances of $12,190 and $13,485 at April 30, 2012 and October 31, 2011, respectively	564,055	552,098
Prepaid income taxes	3,337	7,205
Current assets of discontinued operations	893	1,992
Prepaid expenses	49,178	41,823
Notes receivable and other	51,740	52,756
Deferred income taxes, net	41,544	40,565
Insurance recoverables	10,851	10,851
Total current assets	747,009	733,757
Insurance deposits	31,720	35,974
Other investments and long-term receivables	5,332	5,798
Deferred income taxes, net	30,117	30,948
Insurance recoverables	59,844	59,759
Other assets	40,926	43,394
Investments in auction rate securities	17,994	15,670
Investments in unconsolidated affiliates, net	14,567	14,423
Property, plant and equipment, net of accumulated depreciation of $111,388 and $97,819 at April 30, 2012 and October 31, 2011, respectively	61,367	60,009
Other intangible assets, net of accumulated amortization of $89,683 and $78,669 at April 30, 2012 and October 31, 2011, respectively	117,834	128,994
Goodwill	749,234	750,872
Total assets	$1,875,944	$1,879,598

See accompanying notes to unaudited consolidated financial statements

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Continued)

(in thousands, except share and per share amounts)	April 30, 2012 (Unaudited)	October 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 128,619	$ 130,464
Accrued liabilities		
Compensation	103,085	112,233
Taxes—other than income	22,599	19,144
Insurance claims	86,540	78,828
Other	107,090	102,220
Income taxes payable	5,547	307
Total current liabilities	453,480	443,196
Income taxes payable	38,732	38,236
Line of credit	266,000	300,000
Retirement plans and other	37,682	39,707
Insurance claims	262,208	262,573
Total liabilities	1,058,102	1,083,712
Commitments and contingencies		
Stockholders' equity		
Common stock, $0.01 par value; 100,000,000 shares authorized; 54,060,072 and 53,333,071 shares issued at April 30, 2012 and October 31, 2011, respectively	540	533
Additional paid-in capital	225,190	211,389
Accumulated other comprehensive loss, net of taxes	(1,000)	(2,661)
Retained earnings	593,112	586,625
Total stockholders' equity	817,842	795,886
Total liabilities and stockholders' equity	$1,875,944	$1,879,598

See accompanying notes to unaudited consolidated financial statements

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011
Revenues	$1,057,244	$1,060,083	$2,131,029	$2,089,252
Expenses				
Operating	947,916	944,523	1,914,336	1,868,828
Selling, general and administrative	85,164	83,395	169,184	166,050
Amortization of intangible assets	5,301	5,666	10,850	10,959
Total expenses	1,038,381	1,033,584	2,094,370	2,045,837
Operating profit	18,863	26,499	36,659	43,415
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	—
Income from unconsolidated affiliates, net	1,501	832	4,633	1,619
Interest expense	(2,441)	(4,317)	(5,275)	(8,363)
Income from continuing operations before income taxes	17,610	23,014	35,704	36,671
Provision for income taxes	(5,863)	(8,814)	(13,317)	(14,066)
Income from continuing operations	11,747	14,200	22,387	22,605
Loss from discontinued operations, net of taxes	(35)	(8)	(45)	(24)
Net income	$ 11,712	$ 14,192	$ 22,342	$ 22,581
Net income per common share—Basic				
Income from continuing operations	$ 0.22	$ 0.27	$ 0.42	$ 0.43
Loss from discontinued operations, net of taxes	—	—	—	—
Net Income	$ 0.22	$ 0.27	$ 0.42	$ 0.43
Net income per common share—Diluted				
Income from continuing operations	$ 0.21	$ 0.26	$ 0.41	$ 0.42
Loss from discontinued operations, net of taxes	—	—	—	—
Net Income	$ 0.21	$ 0.26	$ 0.41	$ 0.42
Weighted-average common and common equivalent shares outstanding				
Basic	53,944	53,106	53,721	52,972
Diluted	54,963	54,159	54,728	54,026
Dividends declared per common share	$ 0.145	$ 0.140	$ 0.290	$ 0.280

See accompanying notes to unaudited consolidated financial statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011
Cash flows from operating activities:		
Net income	$ 22,342	$ 22,581
Loss from discontinued operations, net of taxes	45	24
Income from continuing operations	22,387	22,605
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:		
Depreciation and amortization	25,803	25,906
Deferred income taxes	(1,253)	6,005
Share-based compensation expense	5,436	4,600
Provision for bad debt	1,548	1,172
Discount accretion on insurance claims	360	436
Auction rate security credit loss impairment	313	—
Gain on sale of assets	(1,229)	(102)
Income from unconsolidated affiliates, net	(4,633)	(1,619)
Distributions from unconsolidated affiliates	4,311	738
Changes in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(13,405)	(20,265)
Prepaid expenses and other current assets	(6,338)	(9,983)
Insurance recoverables	(85)	(1,046)
Other assets and long-term receivables	7,652	3,659
Income taxes payable	9,604	2,532
Retirement plans and other non-current liabilities	(313)	(3,141)
Insurance claims	6,987	(2,747)
Trade accounts payable and other accrued liabilities	(2,766)	2,774
Total adjustments	31,992	8,919
Net cash provided by continuing operating activities	54,379	31,524
Net cash provided by discontinued operating activities	1,143	1,653
Net cash provided by operating activities	55,522	33,177
Cash flows from investing activities:		
Additions to property, plant and equipment	(16,875)	(10,098)
Proceeds from sale of assets and other	1,793	344
Purchase of businesses, net of cash acquired	—	(292,178)
Investments in unconsolidated affiliates	—	(793)
Proceeds from redemption of auction rate securities	—	5,000
Net cash used in investing activities	(15,082)	(297,725)
Cash flows from financing activities:		
Proceeds from exercises of stock options (including income tax benefit)	8,097	7,731
Dividends paid	(15,579)	(14,834)
Deferred financing costs paid	(14)	(4,991)
Borrowings from line of credit	404,000	561,500
Repayment of borrowings from line of credit	(438,000)	(306,000)
Changes in book cash overdrafts	—	4,986
Net cash (used in) provided by financing activities	(41,496)	248,392
Net decrease in cash and cash equivalents	(1,056)	(16,156)
Cash and cash equivalents at beginning of period	26,467	39,446
Cash and cash equivalents at end of period	$ 25,411	$ 23,290

See accompanying notes to unaudited consolidated financial statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Continued)

(in thousands)	Six Months Ended April 30, 2012	2011
Supplemental Data:		
Cash paid for income taxes, net of refunds received	$5,236	$4,794
Tax effect from exercise of options	—	1,266
Cash received from exercise of options	8,094	6,465
Interest paid on line of credit	2,915	5,410

See accompanying notes to unaudited consolidated financial statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Business

ABM Industries Incorporated ("ABM"), through its subsidiaries (collectively, the "Company"), is a leading provider of end-to-end integrated facilities management services to commercial, governmental, industrial, institutional, residential, and retail facilities primarily throughout the United States. The Company's comprehensive capabilities include expansive facility services, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking and security, provided through stand-alone or integrated solutions. The Company was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909.

2. Unaudited Interim Financial Information

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and Article 10 of Regulation S-X under the Securities and Exchange Act of 1934, as amended, and should be read in conjunction with the Company's audited consolidated financial statements (and notes thereto) filed with the U.S. Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011. Unless otherwise noted, all references to years are to the Company's fiscal year, which ends on October 31. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the accompanying unaudited consolidated financial statements and all normal and recurring adjustments necessary to fairly state the information for each period contained therein have been included.

The accounting policies applied in the accompanying unaudited consolidated financial statements are the same as those applied in the Company's audited consolidated financial statements as at and for the year ended October 31, 2011, contained in the Company's 2011 Annual Report on Form 10-K, unless indicated otherwise.

Operating results for interim periods are not necessarily indicative of results that may be expected to occur for the entire fiscal year or any future periods. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

In preparing the accompanying unaudited consolidated financial statements, the Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date of filing with the SEC, which is the date the accompanying unaudited consolidated financial statements were issued.

The Company's Parking segment reports both revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Parking revenues related solely to the reimbursement of expenses totaled $76.3 million and $78.1 million for the three months ended April 30, 2012 and 2011, respectively, and $154.1 million and $151.5 million for the six months ended April 30, 2012 and 2011, respectively.

Principles of Consolidation

The consolidated financial statements reflect the accounts of ABM and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the Company's consolidated financial statements and the accompanying notes, including those related to self-insurance reserves, allowances for doubtful accounts, sales allowances, deferred income tax assets and valuation allowances, estimates of useful lives of intangible assets, impairment tests of goodwill and other intangibles, fair value of auction rate securities, cash flow forecasts, share-based compensation expense, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, known or expected trends, independent valuations, and various other assumptions that are believed to be reasonable under the circumstances based on information available as of the date of the issuance of these unaudited consolidated financial statements. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update 2011-04 ("ASU 2011-04"), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* This amendment was issued to achieve common fair value measurement and disclosure requirements between U.S. GAAP and International Financial Reporting Standards (IFRS). The new guidance does not extend the use of fair value but, rather, provides guidance about how fair value should be applied where it already is required or permitted under U.S. GAAP or IFRS. ASU 2011-04 expands the disclosures about fair value measurements to include increased transparency around valuation inputs and investment categorization. ASU 2011-04 is effective prospectively for interim and annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on the Company's disclosures or consolidated financial position, financial results or cash flows.

In December 2011, the FASB issued Accounting Standards Update 2011-11 ("ASU 2011-11"), *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This amendment requires disclosing and reconciling gross and net amounts for financial instruments that are offset in the balance sheet, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company expects to adopt ASU 2011-11 on November 1, 2013. The adoption of ASU 2011-11 will not have a material impact on the Company's disclosures.

In December 2011, the FASB issued Accounting Standards Update 2011-12 ("ASU 2011-12"), *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.* This amendment defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. ASU 2011-12 is effective at the same time as Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* ("ASU 2011-05"), so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that this ASU 2011-12 is deferring. ASUs 2011-12 and 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company expects to adopt ASUs 2011-05 and 2011-12 on November 1, 2012. The Company does not expect the adoption of these new disclosure requirements to have a material impact on its disclosures or consolidated financial position, financial results or cash flows.

3. Net Income per Common Share

Basic net income per common share is net income divided by the weighted-average number of shares outstanding during the period. Diluted net income per common share is based on the weighted-average number of shares outstanding during the period, adjusted to include the assumed exercise and conversion of certain stock options, restricted stock units, and performance shares. The calculation of basic and diluted net income per common share is as follows:

(in thousands, except per share data)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011
Income from continuing operations	$11,747	$14,200	$22,387	$22,605
Loss from discontinued operations, net of taxes	(35)	(8)	(45)	(24)
Net income	$11,712	$14,192	$22,342	$22,581
Weighted-average common shares outstanding—Basic	53,944	53,106	53,721	52,972
Effect of dilutive securities:				
Stock options	402	568	358	577
Restricted stock units	358	273	369	285
Performance shares	259	212	280	192
Weighted-average common shares outstanding—Diluted	54,963	54,159	54,728	54,026
Net income per common share				
Basic	$ 0.22	$ 0.27	$ 0.42	$ 0.43
Diluted	$ 0.21	$ 0.26	$ 0.41	$ 0.42

The diluted net income per common share excludes certain stock options, restricted stock units, and performance shares since the effect of including these awards would have been anti-dilutive, as follows:

(in thousands)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011
Stock options	825	733	1,092	689
Restricted stock units	21	18	63	19
Performance shares	—	—	—	34

4. Acquisitions

On December 1, 2010, the Company acquired all of the outstanding limited liability company interests of The Linc Group, LLC (“Linc”) for an aggregate purchase price of $298.7 million in cash (the “Linc Acquisition”). The operations of Linc are included in the Facility Solutions segment (previously referred to as the Engineering segment) as of the acquisition date. Linc provides end-to-end integrated facilities management services, military base operation services, and translation and other services in support of U.S. military operations. Linc’s clients include state and federal governments, commercial entities and residential customers, throughout the United States and in select international locations. This acquisition was accounted for under the acquisition method of accounting. Pro forma financial information for this acquisition has not been provided as such information is not material to the Company’s consolidated financial statements.

5. Fair Value of Financial Instruments

As prescribed by FASB Accounting Standards Codification 820 ("ASC 820"), *Fair Value Measurements and Disclosures*, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs consist of (1) observable inputs—market data obtained from independent sources, or (2) unobservable inputs—market data determined using the Company's own assumptions about valuation. ASC 820 establishes a hierarchy to prioritize the inputs to valuation techniques, with the highest priority being given to Level 1 inputs and the lowest priority to Level 3 inputs, as described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets; and

Level 3 – Unobservable inputs for the asset or liability.

The following table presents the fair value hierarchy, carrying amounts, and fair values of the Company's significant financial instruments as of April 30, 2012 and October 31, 2011:

(in thousands)	Fair Value Hierarchy	April 30, 2012 Carrying Amount	April 30, 2012 Fair Value	October 31, 2011 Carrying Amount	October 31, 2011 Fair Value
Assets					
Cash and cash equivalents	1	$ 25,411	$ 25,411	$ 26,467	$ 26,467
Trade accounts receivable, net	2	564,055	564,055	552,098	552,098
Notes receivable	2	6,027	6,027	5,210	5,210
Assets held in funded deferred compensation plan	1	4,945	4,945	4,717	4,717
Investments in auction rate securities	3	17,994	17,994	15,670	15,670
Total		$618,432	$618,432	$604,162	$604,162
Liabilities					
Trade accounts payable	2	$128,619	$128,619	$130,464	$130,464
Interest rate swap	2	242	242	253	253
Line of credit	2	266,000	266,000	300,000	300,000
Total		$394,861	$394,861	$430,717	$430,717

The following methods and assumptions were used to estimate the fair value of the Company's classes of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents are stated at nominal value which equals fair value.

The carrying value of the Company's trade accounts receivable and payable, notes receivable, current assets of discontinued operations, prepaid expenses, and accrued liabilities approximates fair value due to their nature and short-term maturities of these instruments. Currently, there is no indication that a decrease in the value of the Company's notes receivable is probable. Therefore, the allowances on credit losses of notes receivable are immaterial.

The fair value of the assets held in the funded deferred compensation plan is based on quoted market prices. The assets are included in "other assets" on the accompanying consolidated balance sheets.

For investments in auction rate securities, fair value is based on discounted cash flow valuation models, primarily utilizing unobservable inputs. See Note 6, "Auction Rate Securities," for the roll-forwards of assets measured at fair value using significant unobservable Level 3 inputs and the sensitivity analysis of significant inputs.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for London Interbank Offered Rate forward rates at the end of the period. The fair value is then compared to a valuation received from an independent third-party. See Note 8, "Line of Credit Facility."

Due to variable interest rates, the carrying value of outstanding borrowings under the Company's line of credit approximates its fair value.

During the six months ended April 30, 2012, the Company had no transfers of assets or liabilities between any of the above hierarchy levels.

6. Auction Rate Securities

As of April 30, 2012, the Company holds investments in auction rate securities from four different issuers having an original principal amount of $5.0 million each (aggregating $20.0 million). These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days. Auctions for these securities have not occurred since August 2007. At April 30, 2012 and October 31, 2011, the estimated fair value of these securities, in total, was approximately $18.0 million and $15.7 million, respectively. As of April 30, 2012, none of the Company's auction rate securities were in an unrealized loss position. As of October 31, 2011, three of the Company's auction rate securities, with an aggregate fair value of $10.7 million, were in a continuous unrealized loss position for more than twelve months, and the remaining auction rate security, with a fair value of $5.0 million, was not in an unrealized loss position.

The Company estimates the fair values utilizing a discounted cash flow model, which considers, among other factors, assumptions about: (1) the underlying collateral; (2) credit risks associated with the issuer; (3) contractual maturity; (4) credit enhancements associated with financial insurance guarantees, if any; and (5) assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction. Since there can be no assurance that auctions for these securities will be successful in the near future, the Company has classified its auction rate securities as long-term investments.

The following table presents the significant assumptions used to determine the fair value of the Company's auction rate securities at April 30, 2012 and October 31, 2011:

Assumptions	April 30, 2012	October 31, 2011
Discount rates	L + 0.62% - L + 4.47%	L + 3.21% - L + 17.50%
Yields	2.15%, L + 2.0% - L + 3.5%	L + 2.0% - L + 3.5%
Average expected lives	4 - 10 years	4 - 10 years

L—London Interbank Offered Rate

The fair value of the auction rate securities is affected most significantly by the changes in the average expected lives of the securities, but is also impacted by the discount rate used to adjust the outcomes to their present values. If the average expected lives of the securities increase or decrease, the fair value of the securities will decrease or increase accordingly, in amounts that will vary, based on the timing of the projected cash flows and the discount rate used to calculate the present value of the expected cash flows.

The Company's determination of whether its auction rate securities are other-than-temporarily impaired is based on an evaluation of several factors, circumstances, and known or reasonably supportable trends including, but not limited to: (1) the Company's intent not to sell the securities; (2) the Company's assessment that it is not more likely than not that the Company will be required to sell the securities before recovering its cost basis; (3) expected defaults; (4) available ratings for the securities or the underlying collateral; (5) the rating of the associated guarantor (where applicable); (6) the nature and value of the underlying collateral expected to service the investment; (7) actual historical performance of the security in servicing its obligations; and (8) actuarial experience of the underlying re-insurance arrangement (where applicable), which in certain circumstances may have preferential rights to the underlying collateral.

The Company's determination of whether an other-than-temporary impairment ("OTTI") represents a credit loss is based upon the difference between the present value of the expected cash flows to be collected and the amortized cost basis of the security. Significant assumptions used in estimating the credit loss include: (1) default rates for the security and the mono-line insurer, if any (which are based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored). Adverse changes in any of these factors could result in additional declines in fair value and further other-than-temporary impairments in the future.

During the quarter ended April 30, 2012, the Company recorded an additional OTTI credit loss of $0.3 million for one of its auction rate securities, driven primarily from a change in the expected values of cash flows to be received in the future. The Company had previously recognized an OTTI credit loss of $1.7 million for this security as of the year ended October 31, 2011. The credit losses were based upon the difference between the present value of the expected cash flows to be collected and the amortized cost basis of the security. Significant assumptions used in estimating the credit loss include: (1) default rates for the security and the mono-line insurer, if any (which were based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored). Adverse changes in any of these factors could result in additional declines in fair value and further other-than-temporary impairments in the future.

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The following table presents the changes in the cost basis and fair value of the Company's auction rate securities for the six months ended April 30, 2012:

(in thousands)	Cost Basis	Fair Value (Level 3)
Balance at beginning of year	$ 18,307	$ 15,670
Unrealized gains included in accumulated other comprehensive loss	—	2,324
Other-than-temporary credit losses recognized in earnings	(313)	—
Balance at April 30, 2012	$ 17,994	$ 17,994

At April 30, 2012, there were no unrealized gains or losses recorded in accumulated other comprehensive loss. At October 31, 2011, unrealized losses of $2.6 million ($1.6 million net of taxes) were recorded in accumulated other comprehensive loss.

7. Self-Insurance

The Company evaluates the adequacy of its workers' compensation, general liability, automotive and property damage self-insurance reserves in conjunction with rates considering the most recently completed actuarial reports and subsequent experience. Effective January 1, 2012, the Company is also self-insured for certain employee medical and dental programs. Actuarial reports are expected to be completed for the Company's significant programs using recent claims data and will result in adjustments to earnings during the third and fourth quarters of 2012.

At April 30, 2012, the Company had $96.7 million in standby letters of credit (primarily related to its workers' compensation, general liability, automobile, and property damage programs), $31.7 million in restricted insurance deposits, and $217.4 million in surety bonds (of which $35.9 million supported insurance claim liabilities). At October 31, 2011, the Company had $96.8 million in standby letters of credit, $36.0 million in restricted insurance deposits, and $231.5 million in surety bonds (of which $30.9 million supported insurance claim liabilities).

8. Line of Credit Facility

The Company holds a $650.0 million five-year syndicated line of credit that is scheduled to expire on September 8, 2016 (the "Facility"). The Company has the option to increase the size of the Facility to $850.0 million at any time prior to the expiration (subject to receipt of commitments for the increased amount from existing and new lenders). The Facility is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures, and other general corporate purposes, including acquisitions.

The Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, the Facility also requires that the Company maintain the following three financial covenants which are described in Note 9, "Line of Credit Facility", to the Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for 2011: (1) a fixed charge coverage ratio; (2) a leverage ratio; and (3) a combined net worth test. The Company was in compliance with all covenants as of April 30, 2012.

As of April 30, 2012, the total outstanding amount under the Facility in the form of cash borrowings was $266.0 million. Available credit under the line of credit was up to $287.3 million at April 30, 2012. The Company's ability to draw down available amounts under its line of credit is subject to compliance with the covenants described above.

Interest Rate Swap

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of $25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for London Interbank Offered Rate forward rates at the end of the period. The Company includes its own credit risk for financial instruments deemed liabilities and counterparty credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments. The effective portion of this cash flow hedge is recorded within accumulated other comprehensive income (loss) ("AOCI") and reclassified into interest expense in the same period during which the hedged transactions affect earnings. Interest payable and receivable under the swap agreement is accrued and recorded as an adjustment to interest expense.

As of April 30, 2012 and October 31, 2011, the fair value of the interest rate swap was a liability of $0.2 million and $0.3 million, respectively, which were included in "retirement plans and other" on the accompanying consolidated balance sheets. The amount included in accumulated other comprehensive loss was $0.2 million ($0.1 million, net of taxes) and $0.3 million ($0.2 million, net of taxes) at April 30, 2012 and October 31, 2011, respectively.

Unrealized net losses related to the interest rate swap contract which are expected to be reclassified from AOCI to earnings during the next 12 months were $0.1 million at April 30, 2012.

The following tables set forth the effect of the Company's interest rate swap contract on the consolidated financial statements for the three and six months ended April 30, 2012 and 2011:

	Amount of gain or (loss) recognized in AOCI on derivative (effective portion) (in thousands)			
	Three months ended April 30		Six months ended April 30	
Derivatives designated as cash flow hedging relationships	2012	2011	2012	2011
Interest rate swap	$ (1)	$ (68)	$ (68)	$ 246

	Amount of gain or (loss) reclassified from AOCI into income (effective portion) (in thousands)			
	Three months ended April 30		Six months ended April 30	
Location of gain or (loss) reclassified from AOCI into income (effective portion)	2012	2011	2012	2011
Interest expense	$ (40)	$ (40)	$ (79)	$ (350)

9. Benefit Plans

The components of net periodic benefit cost of the Company's defined benefit plans and post-retirement benefit plans attributable to participants associated with continuing operations for the three and six months ended April 30, 2012 and 2011 were as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2012	2011	2012	2011
Defined Benefit Plans				
Service cost	$ 12	$ 12	$ 24	$ 23
Interest	124	142	248	285
Expected return on plan assets	(122)	(93)	(243)	(187)
Amortization of actuarial losses	24	28	49	57
Net expense	$ 38	$ 89	$ 78	$ 178
Post-Retirement Benefit Plans				
Service cost	$ 3	$ 3	$ 6	$ 7
Interest	62	64	123	128
Net expense	$ 65	$ 67	$ 129	$ 135

10. Contingencies

The Company is subject to legal proceedings, settlements, class actions, and purported class actions arising from the ordinary course of business, generally including employment-based claims and customer contract claims. Litigation outcomes are difficult to predict and are often resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. In accordance with FASB Accounting Standards Codification 450-20, *Loss Contingencies*, the Company accrues for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. Legal costs associated with loss contingencies are expensed as incurred. At April 30, 2012, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $10.6 million.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible but not probable. Management currently estimates that the range of loss for all reasonably possible losses for which an estimate can be made is between $0 and $2.3 million. Factors underlying this estimate will change from time to time, and actual results may vary significantly from this estimate. Those matters for which the Company cannot reasonably estimate potential losses are not included within this estimated range and, therefore, this range does not represent the Company's maximum potential loss exposure. The ultimate resolution of such matters is always uncertain, and any such proceeding brought against the Company could have a material adverse impact on its financial condition and results of operations.

There have been no significant changes to the cases disclosed in Note 11 in the Company's Notes to Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2011 during the quarter ended April 30, 2012, except as described below.

The Company is a defendant in the previously reported consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services filed on July 12, 2005 in the Superior Court of California, Los Angeles County (the "Augustus case"). The Augustus case is a class action involving allegations that the Company violated certain state laws relating to meal and rest breaks. On January 8, 2009, the Augustus case was certified as a class action by the Superior Court of California, Los Angeles County. On October 6, 2010, the Company moved to decertify the class and for summary judgment. Plaintiffs also moved for summary judgment on the rest break claim. On December 28, 2010, the Superior Court de-certified the portion of the class related to the meal break claims and granted summary judgment for the plaintiffs with respect to the rest break issue. On July 11, 2011, the Court closed the class period as of July 1, 2011 and vacated the previously scheduled trial date of September 12, 2011. On February 8, 2012, the plaintiffs filed a motion for summary judgment on the rest break claim which seeks damages in the amount of $103.0 million. On February 8, 2012 the Company filed a motion for decertification of the class. Both motions are now scheduled to be heard on July 6, 2012. The Company continues to believe it has strong defenses against this lawsuit and is vigorously defending it. The case is set for trial on November 30, 2012. An estimate of the potential exposure, if any, cannot be made at this time.

The Company is a defendant in the previously reported consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006 in L.A. Superior Curt (the "Diaz case"). On June 22, 2011, the parties accepted a mediator's proposal which involves settling all the claims made in the first amended complaint for the period of October 1, 2002 to the date on which the Court grants preliminary approval of the settlement. The Court granted its preliminary approval of the settlement on December 13, 2011. On January 27, 2012, the notice to the class of the settlement was mailed. The Court approved the settlement on May 21, 2012. Based on claims submitted, the amount of the payments is approximately $3.1 million, which includes payments to plaintiffs' attorneys. During the quarter ended April 30, 2012, the Company increased its accrual from $2.9 million to $3.1 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the previously reported case of Khadera v. American Building Maintenance Co.- West and ABM Industries filed on March 24, 2008 in the U.S. District Court of Washington, Western District (the "Khadera case"). The Khadera case is a collective action and involves allegations relating to unpaid overtime and meal and rest claims. It is an opt-in class under the Fair Labor Standards Act and 343 plaintiffs are in the class. On March 14, 2012, the parties accepted a mediator's proposal and settled this matter for $1.8 million, which includes payments to plaintiffs' attorneys. The settlement is subject to the District Court's approval of the settlement and the state court's approval of the settlement in the Simpson companion case discussed below. The Company has accrued $1.8 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the previously reported case of Simpson v. ABM Janitorial Services-Northwest and ABM Industries Incorporated filed on September 24, 2010 in the Superior Court for the State of Washington in and for King County (the "Simpson case"). The Simpson case involves allegations relating to unpaid overtime, off-the-clock work, and failure to provide meal and rest periods under Washington state law. On March 14, 2012, the parties accepted a mediator's proposal and settled this matter for $1.2 million, which includes payments to plaintiffs' attorneys. The settlement is subject to the state court's approval of the settlement and the District Court's approval of the settlement in the Khadera companion case. The Company has accrued $1.2 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the case of Las and Yanez v. ABM Industries Incorporated, *et. al.* filed on April 6, 2011 in Illinois state court and subsequently removed to the U.S. District Court for the Northern District of Illinois (the "Las/Yanez case"). The Las/Yanez case involves allegations relating to unpaid overtime and off-the-clock work under federal and state law. It was filed as a collective action, but has not been certified as a class action or collective action. On May 4, 2012, the parties accepted a mediator's proposal, which involves settling all the claims made in the operative complaint for the period of April 6, 2008 through May 7, 2012, subject to court approval. Under the terms of the proposed settlement, the gross settlement value ("GSV") is the total agreed-upon value of the claims of all settlement class members in the Las/Yanez case assuming that 100% of the settlement class members were to submit a claim. The parties have agreed that the GSV is equal to $5.5 million, less certain costs and payments to the named plaintiffs in this action. Under the terms of the proposed settlement, in the event that more than 30% of the settlement class, measured by the aggregate value of their claims in relation to the GSV, submits claims, the Company has the option to terminate the settlement agreement. The Company currently anticipates that payments to members of the settlement class who properly submit claims, together with payments to plaintiffs' attorneys, will total approximately $2.1 million and that the Company's maximum exposure would be approximately $2.9 million. The Company has accrued $2.1 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

The Company is a defendant in the case of Bojorquez v. ABM Industries Incorporated and ABM Janitorial Services – Northern California, Inc. filed on January 13, 2010 in San Francisco Superior Court. Plaintiff brought suit for sexual harassment, retaliation, and failure to prevent harassment and discrimination. On May 17, 2012, a jury awarded the plaintiff approximately $0.8 million in damages. The Company anticipates that the plaintiff also will file an application for attorneys' fees and costs with the Court. The Company intends to appeal this decision.

Other

During October 2011, the Company began an internal investigation into matters relating to compliance with the U.S. Foreign Corrupt Practices Act and the Company's internal policies in connection with services provided by a foreign entity affiliated with a former Linc joint venture partner. Such services commenced prior to the Linc Acquisition. As a result of the investigation, the Company has caused Linc to terminate its association with the arrangement. In December 2011, the Company contacted the U.S. Department of Justice and the Securities and Exchange Commission to voluntarily disclose the results of its internal investigation to date. The Company cannot reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, the Company does not believe that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flows. There have been no significant changes to the status of this internal investigation during the quarter ended April 30, 2012.

11. Comprehensive Income

The following table presents the components of comprehensive income for the three and six months ended April 30, 2012 and 2011:

(in thousands)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011
Net income	$11,712	$14,192	$22,342	$22,581
Other comprehensive income:				
Unrealized (losses) gains on auction rate securities	(153)	(406)	2,324	332
Reclass adjustment for credit losses recognized in earnings	313	—	313	—
Unrealized gains (losses) on interest rate swap agreement	39	(28)	11	596
Foreign currency translation	171	438	69	586
Actuarial gains—adjustments to pension and other post-retirement plans	24	16	49	33
Income tax (expense) benefit related to other comprehensive income	(92)	170	(1,105)	(391)
Comprehensive income	$12,014	$14,382	$24,003	$23,737

12. Income Taxes

The effective tax rates on income from continuing operations for the three months ended April 30, 2012 and 2011 were 33.3% and 38.3%, respectively. The effective tax rates on income from continuing operations for the six months ended April 30, 2012 and 2011 were 37.3% and 38.4%, respectively. The effective tax rate for the quarter ended April 30, 2012 decreased over the quarter ended April 30, 2011 primarily due to discrete adjustments for employment-based tax credits. At April 30, 2012, the Company had unrecognized tax benefits of $97.1 million, all of which, if recognized in the future, would impact its effective tax rate. Approximately $1.2 million of the Company's unrecognized tax benefits has been recognized as a current liability. The Company includes interest and penalties related to unrecognized tax benefits in income tax expense. As of April 30, 2012, the Company had accrued interest related to uncertain tax positions of $1.4 million.

The Company's major tax jurisdiction is the United States. ABM, OneSource Services, Inc., and the Linc C Corporation's U.S. federal income tax returns remain open for examination for the periods ending October 31, 2006 through October 31, 2011, March 31, 2000 through November 14, 2007, and December 31, 2007 through December 31, 2010, respectively. ABM is currently being examined by the Internal Revenue Service ("IRS") for the tax years 2006 – 2008. The Company does business in all 50 states, significantly in California, Texas, and New York, as well as in various foreign jurisdictions. In major state jurisdictions, the tax years 2006 – 2011 remain open and subject to examination by the appropriate tax authorities. The Company is currently being examined by Illinois, Michigan, Utah, New Jersey, Massachusetts, New York, Texas, and Puerto Rico.

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13. Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. The Company is organized into four reportable operating segments, Janitorial, Facility Solutions, Parking and Security, which are summarized as follows:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2012	2011	2012	2011
Revenues				
Janitorial	$ 593,447	$ 590,254	$1,187,787	$1,184,860
Facility Solutions	222,550	229,197	456,323	421,845
Parking	152,680	156,127	306,130	308,993
Security	88,890	84,138	180,872	172,894
Corporate and other	(323)	367	(83)	660
	$1,057,244	$1,060,083	$2,131,029	$2,089,252
Operating profit				
Janitorial	$ 33,494	$ 34,934	$ 64,002	$ 64,798
Facility Solutions	6,381	6,842	12,746	14,292
Parking	6,092	4,894	10,842	9,628
Security	1,012	897	1,857	2,198
Corporate and other	(28,116)	(21,068)	(52,788)	(47,501)
Operating profit	18,863	26,499	36,659	43,415
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	—
Income from unconsolidated affiliates, net	1,501	832	4,633	1,619
Interest expense	(2,441)	(4,317)	(5,275)	(8,363)
Income from continuing operations before income taxes	$ 17,610	$ 23,014	$ 35,704	$ 36,671

Most Corporate expenses are not allocated. Such expenses generally include current actuarial developments of self-insurance reserves relating to claims incurred in prior years, certain legal costs and settlements, certain information technology costs, share-based compensation costs, branding initiative costs, direct acquisition costs, severance costs associated with acquisitions, and certain chief executive officer and other finance and human resource department costs.

14. Subsequent Events

On May 1, 2012, a wholly-owned subsidiary of the Company acquired the businesses and substantially all the assets of TEGG Corporation and CurrentSAFE Corporation, both Delaware corporations ("TEGG and CurrentSAFE"), pursuant to an Asset Purchase Agreement (the "Asset Purchase Agreement") with TEGG and CurrentSAFE and the members and shareholders of TEGG and CurrentSAFE, dated as of May 1, 2012. TEGG and CurrentSAFE are U.S.-based, privately-held corporations engaged in the business of selling franchises and granting licenses to use their proprietary systems to deliver comprehensive electrical service and preventive and predictive maintenance solutions to commercial and industrial facilities, in the case of TEGG, and residences, in the case of CurrentSAFE. The acquisition expands the Company's reach, increasing its services network in the commercial, industrial and residential electrical contracting industry.

The acquisition will be accounted for using the acquisition method of accounting. The purchase price for the acquisition was approximately $6.2 million in cash, subject to post-closing adjustments. Approximately 8% of the purchase price is subject to a hold back by the Company for a period of 24 months as security for the sellers' indemnification obligations under the Asset Purchase Agreement.

Due to the acquisition occurring subsequent to the reporting date, certain required disclosures, such as the preliminary allocation of the purchase price, the determination of goodwill, and acquisition related costs, have been omitted from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2012 because the initial accounting for the business combination is incomplete as of the filing date. The Company will not provide pro forma information as the results of operations of this acquisition are not material to the Company's consolidated financial statements.

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

The following discussion of the financial condition and results of operations of ABM Industries Incorporated ("ABM") and its subsidiaries (collectively the "Company") should be read in conjunction with the unaudited consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended October 31, 2011 (the "Annual Report"), which has been filed with the Securities and Exchange Commission, or SEC.

Business Overview

The Company is a leading provider of end-to-end integrated facilities management services to commercial, governmental, industrial, institutional, residential, and retail facilities primarily throughout the United States. The Company's comprehensive capabilities include expansive facility services, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking and security, provided through stand-alone or integrated solutions. The Company's business is impacted by, among other things, commercial and government office building occupancy and rental rates, government spending for outsourced services, industrial activity, air travel levels, tourism, and transportation needs at colleges, universities, and health care service facilities.

Strategy and Outlook

The Company believes that achieving the desired long-term growth levels of revenues and profitability in the future will depend upon, among other things, its ability to make successful acquisitions (while maintaining a target leverage ratio), attract and retain clients at desirable profit margins, and keep overall costs low. Additionally, the Company continues to assess the impact that the annual federal budget and U.S. Government policy and strategy changes will have on its government clients. The Company plans to remain competitive by, among other things, expanding its presence in key vertical markets where it has built technical expertise, know-how and client relationships, as well as differentiating services by leveraging investments made in technology and infrastructure. The Company expects to continue to grow organically and through further domestic and international acquisitions in response to the perceived growing client demand for a global integrated facility service provider.

Summary of Key Financial Performance Indicators

During the second half of 2011, the U.S. economy was weaker than originally anticipated resulting in price compression and certain contract losses from the Company's clients, particularly in the Janitorial segment. Further, a significant portion of Facility Solutions (previously referred to as the Engineering segment) revenues are generated from contracts with the U.S. Government. The Company is continually assessing the potential impact that the size, composition and timing of congressional approval of the annual federal budget will have on its government clients. In addition, the Company monitors and assesses the potential impact of U.S. Government policy and strategy changes on its government clients. While the volume of bid activity and request for proposals for future awards remains active, the Company's government business has experienced and may continue to experience delays in new contract awards and in the start dates of currently awarded contracts or early termination of existing contracts. These factors, along with higher unemployment insurance expense and the accrual of certain legal settlement costs, have negatively impacted the Company's operating results in 2012.

In the three months ended April 30, 2012, the Company's total revenue of $1,057.2 million remained relatively consistent compared to $1,060.1 million in the three months ended April 30, 2011. In the six months ended April 30, 2012, the Company's total revenue increased by $41.8 million, or 2.0%, to $2,131.0 million, compared to $2,089.2 million in the six months ended April 30, 2011. The increase in revenues was primarily related to revenues associated with the acquisition of The Linc Group, LLC, which was acquired on December 1, 2010 (the "Linc Acquisition").

Operating profit decreased by $7.6 million to $18.9 million in the three months ended April 30, 2012 from $26.5 million in the three months ended April 30, 2011. Operating profit decreased $6.7 million to $36.7 million in the six months ended April 30, 2012 from $43.4 million in the six months ended April 30, 2011. During the three months ended April 30, 2012, the Company settled and accrued certain legal matters amounting to $5.1 million to eliminate the on-going legal expense of continuing litigation, which had an unfavorable impact on the Company's operating profit.

In addition to revenues and operating profit, the Company's management views operating cash flows as a good indicator of financial performance, as strong operating cash flows provide opportunities for growth both organically and through acquisitions. Operating cash flows primarily depend on: revenue levels; the quality and timing of collections of accounts receivable and payments to suppliers and other vendors; the timing and amount of income tax payments; and the timing and amount of payments on self-insured claims. Operating cash flows are also impacted by receivables relating to government contracts, as these receivables generally have longer collection periods. The Company's net cash provided by continuing operating activities was $54.4 million for the six months ended April 30, 2012.

Results of Operations

Three Months Ended April 30, 2012 vs. Three Months Ended April 30, 2011

($ in thousands)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Increase (Decrease) $	Increase (Decrease) %
Revenues	$ 1,057,244	$ 1,060,083	$ (2,839)	(0.3)%
Expenses				
Operating	947,916	944,523	3,393	0.4%
Selling, general and administrative	85,164	83,395	1,769	2.1%
Amortization of intangible assets	5,301	5,666	(365)	(6.4)%
Total expenses	1,038,381	1,033,584	4,797	0.5%
Operating profit	18,863	26,499	(7,636)	(28.8)%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	NM*
Income from unconsolidated affiliates, net	1,501	832	669	80.4%
Interest expense	(2,441)	(4,317)	(1,876)	(43.5)%
Income from continuing operations before income taxes	17,610	23,014	(5,404)	(23.5)%
Provision for income taxes	(5,863)	(8,814)	(2,951)	(33.5)%
Income from continuing operations	11,747	14,200	(2,453)	(17.3)%
Loss from discontinued operations, net of taxes	(35)	(8)	27	NM*
Net income	$ 11,712	$ 14,192	$ (2,480)	(17.5)%

* Not Meaningful

Net Income and Income from Continuing Operations

Net income and income from continuing operations in the three months ended April 30, 2012 decreased by $2.5 million to $11.7 million ($0.21 per diluted share), from $14.2 million ($0.26 per diluted share) in the three months ended April 30, 2011.

The decrease in net income and income from continuing operations was primarily related to:

- $5.1 million of legal expense associated with the settlement of certain legal cases;
- a $4.3 million increase in operating payroll and payroll related expenses, including higher federal and state unemployment insurance rates;
- a $0.9 million increase in legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture; and
- $0.8 million of costs associated with the Company’s branding initiative;

partially offset by:

- a $3.6 million decrease in selling, general and administrative payroll and payroll related expenses, due to cost control measures;
- a $3.0 million decrease in income taxes, primarily related to the decrease in income from continuing operations and certain discrete employment-based tax credits;
- a $1.9 million decrease in interest expense related to a decrease in average borrowings and average interest rates under the line of credit facility (the “Facility”); and
- a $0.7 million increase in income from unconsolidated affiliates primarily related to the Company’s share of gains associated with property sales completed by one of its investments in a low income housing partnership.

Revenues

Revenues of $1,057.2 million in the three months ended April 30, 2012, remained relatively consistent as compared to $1,060.1 million in the three months ended April 30, 2011.

Operating Expenses

As a percentage of revenues, gross margin decreased by 0.6% to 10.3% in the three months ended April 30, 2012, from 10.9% in the three months ended April 30, 2011. The decrease in gross margin was primarily related to a $4.3 million increase in payroll and payroll related expenses, including higher federal and state unemployment insurance rates.

Selling, General and Administrative Expenses

As a percentage of revenues, selling, general and administrative expenses increased by 0.2% to 8.1% in the three months ended April 30, 2012 from 7.9% in the three months ended April 30, 2011. The increase was primarily related to the settlement and related accrual of certain legal cases totaling $5.1 million, a $0.9 million increase in legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture, a $0.8 million increase associated with the Company's branding initiative, partly offset by a reduction in payroll and payroll related expenses of $3.6 million due to cost control measures.

Interest Expense

Interest expense in the three months ended April 30, 2012 decreased $1.9 million, or 43.5%, to $2.4 million from $4.3 million in the three months ended April 30, 2011. The decrease was primarily related to a decrease in average borrowings and average interest rates under the Facility. The average outstanding balances under the Company's Facility were $300.1 million and $419.8 million in the three months ended April 30, 2012 and 2011, respectively.

Amortization of Intangible Assets

Amortization of intangible assets in the three months ended April 30, 2012 decreased $0.4 million, or 6.4%, to $5.3 million from $5.7 million in the three months ended April 30, 2011. The decrease was primarily related to certain intangible assets being amortized using the sum-of-the-years'-digits method, which results in declining amortization expense over the assets' useful life.

Provision for Income Taxes

The effective tax rates on income from continuing operations for the three months ended April 30, 2012 and 2011 were 33.3% and 38.3%, respectively. The decrease in the effective tax rate was primarily related to the recording of certain discrete employment-based tax credits.

Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. The revenues and operating profits for the Company's reportable segments (Janitorial, Facility Solutions, Parking, and Security) were as follows:

($ in thousands)	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Janitorial	$ 593,447	$ 590,254	$ 3,193	0.5%
Facility Solutions	222,550	229,197	(6,647)	(2.9)%
Parking	152,680	156,127	(3,447)	(2.2)%
Security	88,890	84,138	4,752	5.6%
Corporate and other	(323)	367	(690)	NM*
	$ 1,057,244	$ 1,060,083	$ (2,839)	(0.3)%
Operating profit				
Janitorial	$ 33,494	$ 34,934	$ (1,440)	(4.1)%
Facility Solutions	6,381	6,842	(461)	(6.7)%
Parking	6,092	4,894	1,198	24.5%
Security	1,012	897	115	12.8%
Corporate and other	(28,116)	(21,068)	(7,048)	(33.5)%
Operating profit	18,863	26,499	(7,636)	(28.8)%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	NM*
Income from unconsolidated affiliates, net	1,501	832	669	80.4%
Interest expense	(2,441)	(4,317)	(1,876)	(43.5)%
Income from continuing operations before income taxes	$ 17,610	$ 23,014	$ (5,404)	(23.5)%

* Not Meaningful

Janitorial

Janitorial revenues of $593.4 million during the three months ended April 30, 2012, remained relatively consistent compared to $590.2 million in the three months ended April 30, 2011. The slight increase was primarily related to an increase in tag work revenue from existing clients and additional revenue from new clients that exceeded the continuing impact of lost business and contract price compression experienced in fiscal 2011.

Operating profit decreased $1.4 million, or 4.1%, during the three months ended April 30, 2012 compared to the three months ended April 30, 2011. Operating profit margin decreased by 0.3% from 5.9% in the three months ended April 30, 2011 to 5.6% in the three months ended April 30, 2012. The decrease was primarily related to the continuing impact of price compressions, increases in operating payroll and payroll related expenses, including higher federal and state unemployment insurance rates, and an increase in legal expenses and subcontractor costs, partially offset by a reduction in selling, general and administrative expenses due to cost control measures.

Facility Solutions

Facility Solutions revenues decreased $6.6 million, or 2.9%, during the three months ended April 30, 2012 compared to the three months ended April 30, 2011. The decrease was primarily related to the termination of certain U.S. government contracts in Iraq, and losses of client contracts that exceeded new business.

Operating profit decreased by $0.5 million, or 6.7%, from $6.9 million in the three months ended April 30, 2011, to $6.4 million in the three months ended April 30, 2012. Operating profit margins slightly decreased by 0.1% from 3.0% in the three months ended April 30, 2011 to 2.9% in the three months ended April 30, 2012. The slight decrease was primarily related to the unfavorable margin impact as a result of the termination of certain U.S. government contracts in Iraq, and certain contract losses.

Parking

Parking revenues decreased $3.4 million, or 2.2%, during the three months ended April 30, 2012 compared to the three months ended April 30, 2011. The decrease was primarily related to losses of contracts, including the termination of certain unprofitable contracts, in excess of new business, partially offset by increased revenues from existing clients.

Operating profit increased $1.2 million, or 24.5%, during the three months ended April 30, 2012 compared to the three months ended April 30, 2011. Operating profit margins improved by 0.9% from 3.1% in the three months ended April 30, 2011 to 4.0% in the three months ended April 30, 2012. The increase was primarily related to improved operating margins on certain existing contracts, the termination of certain unprofitable contracts, and a reduction in payroll and payroll related expenses.

Security

Security revenues increased $4.8 million, or 5.6%, during the three months ended April 30, 2012 compared to the three months ended April 30, 2011, primarily due to additional revenues from new business that exceeded contract losses.

Operating profit increased $0.1 million to $1.0 million in the three months ended April 30, 2012 compared to $0.9 million in the three months ended April 30, 2011. Operating profit margins remained relatively flat at 1.1% in the three months ended April 30, 2012 and 2011.

Corporate

Corporate expenses increased $7.0 million, or 33.5%, in the three months ended April 30, 2012 compared to the three months ended April 30, 2011.

The increase in Corporate expense was primarily related to:

- $5.1 million of legal expense associated with the settlement of certain legal cases;
- $0.9 million of legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture; and
- $0.8 million of costs associated with the Company’s branding initiative.

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Results of Operations

Six Months Ended April 30, 2012 vs. Six Months Ended April 30, 2011

($ in thousands)	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011	Increase (Decrease) $	Increase (Decrease) %
Revenues	$ 2,131,029	$ 2,089,252	$ 41,777	2.0%
Expenses				
Operating	1,914,336	1,868,828	45,508	2.4%
Selling, general and administrative	169,184	166,050	3,134	1.9%
Amortization of intangible assets	10,850	10,959	(109)	(1.0)%
Total expense	2,094,370	2,045,837	48,533	2.4%
Operating profit	36,659	43,415	(6,756)	(15.6)%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	NM*
Income from unconsolidated affiliates, net	4,633	1,619	3,014	NM*
Interest expense	(5,275)	(8,363)	(3,088)	(36.9)%
Income from continuing operations before income taxes	35,704	36,671	(967)	(2.6)%
Provision for income taxes	(13,317)	(14,066)	(749)	(5.3)%
Income from continuing operations	22,387	22,605	(218)	(0.9)%
Loss from discontinued operations, net of taxes	(45)	(24)	(21)	NM*
Net income	$ 22,342	$ 22,581	$ (239)	(1.1)%

* Not Meaningful

Net Income and Income from Continuing Operations

Net income and income from continuing operations in the six months ended April 30, 2012 decreased by $0.2 million to $22.4 million ($0.41 per diluted share) from $22.6 million ($0.42 per diluted share) in the six months ended April 30, 2011.

The decrease in net income and income from continuing operations was primarily related to:

- $5.1 million of legal expense associated with the settlement of certain legal cases;
- $4.8 million increase in payroll related expenses associated with higher federal and state unemployment insurance rates;
- $2.7 million of legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture; and
- $1.5 million of costs associated with the Company's branding initiative;

partially offset by:

- a $4.8 million decrease in transaction costs associated with the Linc Acquisition;
- a $3.1 million decrease in interest expense due to a decrease in average borrowings and average interest rates under the Facility;
- a $3.0 million increase in income from unconsolidated affiliates primarily related to the Company's share of gains associated with property sales completed by one of its investments in a low income housing partnership; and
- a $2.7 million sales allowance reserve reduction primarily driven by sustained improvements in historical and expected credits on client receivables which the Company attributes, in part, to its recently enhanced billing systems and related processes.

Revenues

Revenues increased by $41.8 million, or 2.0%, in the six months ended April 30, 2012, as compared to the six months ended April 30, 2011. The Company's increase in revenues was primarily related to revenues associated with the Linc Acquisition.

Operating Expenses

As a percentage of revenues, gross margin was 10.2% and 10.6% in the six months ended April 30, 2012 and 2011, respectively. The decrease in gross margin was primarily related to the continuing impact of price compressions and an increase in payroll and payroll related expenses, including higher federal and state unemployment insurance rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenues remained flat at 7.9% in the six months ended April 30, 2012 and 2011. Selling, general and administrative expenses increased $3.1 million, or 1.9%, in the six months ended April 30, 2012 compared to the six months ended April 30, 2011.

The increase in selling, general and administrative expenses was primarily related to:

- $5.1 million of legal expense associated with the settlement of certain legal cases;
- $2.7 million of legal fees associated an internal investigation into a foreign entity previously affiliated with a joint venture; and
- $1.5 million of costs associated with the Company's branding initiative;

partially offset by:

- $4.8 million reduction in transaction costs associated with the Linc Acquisition.

Interest Expense

Interest expense in the six months ended April 30, 2012 decreased $3.1 million, or 36.9%, to $5.3 million from $8.4 million in the six months ended April 30, 2011. The decrease was primarily related to a decrease in average borrowings and average interest rates under the Facility. The average outstanding balances under the Company's Facility were $306.1 million and $378.4 million in the six months ended April 31, 2012 and 2011, respectively.

Amortization of Intangible Assets

Amortization of intangible assets in the six months ended April 30, 2012 decreased $0.1 million, or 1.0%, to $10.9 million from $11.0 million in the six months ended April 30, 2011. The decrease was primarily related to certain intangible assets being amortized using the sum-of-the-years'-digits method, which results in declining amortization expense over the assets' useful life, partially offset by one additional month of amortization expense during the six months ended April 30, 2012, related to the intangible assets associated with the Linc Acquisition in December 2010.

Provision for Income Taxes

The effective tax rates on income from continuing operations for the six months ended April 30, 2012 and 2011 were 37.3% and 38.4%, respectively. The decrease in the effective tax rate was primarily due to the recording of certain discrete employment-based tax credits.

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Segment Information

During the three months ended January 31, 2012, the Company changed the name of its Engineering segment to Facility Solutions to better reflect the variety of end-to-end integrated facility services, building operation and maintenance, and bundled energy solution services provided to its clients. The revenues and operating profits for the Company's reportable segments (Janitorial, Facility Solutions, Parking, and Security) were as follows:

($ in thousands)	Six Months Ended April 30, 2012	Six Months Ended April 30, 2011	Increase (Decrease) $	Increase (Decrease) %
Revenues				
Janitorial	$ 1,187,787	$ 1,184,860	$ 2,927	0.2%
Facility Solutions	456,323	421,845	34,478	8.2%
Parking	306,130	308,993	(2,863)	(0.9)%
Security	180,872	172,894	7,978	4.6%
Corporate and other	(83)	660	(743)	NM*
	$ 2,131,029	$ 2,089,252	$ 41,777	2.0%
Operating profit				
Janitorial	$ 64,002	$ 64,798	$ (796)	(1.2)%
Facility Solutions	12,746	14,292	(1,546)	(10.8)%
Parking	10,842	9,628	1,214	12.6%
Security	1,857	2,198	(341)	(15.5)%
Corporate and other	(52,788)	(47,501)	(5,287)	(11.1)%
Operating profit	36,659	43,415	(6,756)	(15.6)%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	(313)	—	(313)	NM*
Income from unconsolidated affiliates, net	4,633	1,619	3,014	NM*
Interest expense	(5,275)	(8,363)	(3,088)	(36.9)%
Income from continuing operations before income taxes	$ 35,704	$ 36,671	$ (967)	(2.6)%

* Not Meaningful

Janitorial

Janitorial revenues of $1,187.8 million during the six months ended April 30, 2012, remained relatively consistent compared to $1,184.9 million in the six months ended April 30, 2011. The slight increase was primarily related to an increase in tag work and a reduction in the sales allowance reserve, primarily driven by sustained improvements in historical and expected credits on client receivables, partially offset by the continuing impact of lost business and contract price compression experienced in fiscal 2011 that exceeded additional revenue from new clients.

Operating profit decreased $0.8 million, or 1.2%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. Operating profit margins slightly decreased by 0.1% from 5.5% in the six months ended April 30, 2011 to 5.4% in the six months ended April 30, 2012. The decrease was primarily related to the continuing impact of price compressions, increases in operating payroll and payroll related expenses, including higher federal and state unemployment insurance rates, and an increase in legal expenses and subcontractor costs, partially offset by a reduction in the sales allowance reserve, and lower selling, general and administrative expenses due to cost control measures.

Facility Solutions

Facility Solutions revenues increased $34.5 million, or 8.2%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. The increase was primarily related to revenues associated with the Linc Acquisition.

Operating profit decreased by $1.5 million, or 10.8%, in the six months ended April 30, 2012 compared to the six months ended April 30, 2011. Operating profit margins decreased by 0.6% from 3.4% in the six months ended April 30, 2011 to 2.8% in the six months ended April 30, 2012. The decrease was primarily related to the unfavorable margin impact as a result of the termination of certain U.S. government contracts in Iraq, and certain contract losses.

Parking

Parking revenues decreased $2.9 million, or 0.9%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. The decrease was primarily related to lost business, including the termination of certain unprofitable contracts, in excess of new business, partially offset by increased revenues from existing clients.

Operating profit increased $1.2 million, or 12.6%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. Operating profit margins increased by 0.4% from 3.1% in the six months ended April 30, 2011 to 3.5% in the six months ended April 30, 2012. The increase was primarily related to improved operating margins on certain existing contracts, the termination of certain unprofitable contracts, and a reduction in payroll and payroll related expenses.

Security

Security revenues increased $8.0 million, or 4.6%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. The increase was primarily related to additional revenues from new business that exceeded contract losses.

Operating profit decreased by $0.3 million, or 15.5%, during the six months ended April 30, 2012 compared to the six months ended April 30, 2011. Operating profit margins decreased by 0.3% from 1.3% in the six months ended April 30, 2011 to 1.0% in the six months ended April 30, 2012. The decrease was primarily related to increases in payroll and payroll related expenses, including higher federal and state unemployment insurance rates, partially offset by a reduction in selling, general and administrative expenses due to cost control measures.

Corporate

Corporate expenses increased by $5.3 million during the six months ended April 30, 2012 compared to the six months ended April 30, 2011.

The increase in Corporate expenses was primarily related to:

- $5.1 million of legal expense associated with the settlement of certain legal cases;
- $2.7 million of legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture; and
- $1.5 million of costs associated with the Company’s branding initiative;

partially offset by:

- $4.8 million decrease in transaction costs associated with the Linc Acquisition.

Liquidity and Capital Resources

(in thousands)	April 30, 2012	October 31, 2011	Change
Cash and cash equivalents	$ 25,411	$ 26,467	$(1,056)
Working capital	$293,529	$290,561	$ 2,968

	Six Months Ended April 30,		
(in thousands)	2012	2011	Change
Net cash provided by operating activities	$ 55,522	$ 33,177	$ 22,345
Net cash used in investing activities	$ (15,082)	$ (297,725)	$ 282,643
Net cash (used in) provided by financing activities	$ (41,496)	$ 248,392	$(289,888)

The Company believes that the cash generated from operations and amounts available under the Facility will be sufficient to fund the Company's operations and cash requirements in the foreseeable future. As of April 30, 2012, the total outstanding amounts under the Company's Facility in the form of cash borrowings and standby letters of credit were $266.0 million and $96.7 million, respectively. As of April 30, 2012, the total available credit under the Facility was $287.3 million. The Company's ability to draw down available amounts under the Facility is subject to compliance with certain financial covenants, including covenants relating to a fixed charge coverage ratio, a leverage ratio, and consolidated net worth. In addition, other covenants under the Facility include limitations on liens, dispositions, fundamental changes, investments, and certain transactions and payments. As of April 30, 2012, the Company was in compliance with all financial covenants and expects to be in compliance in the foreseeable future.

Working Capital

Working capital increased by $3.0 million to $293.5 million at April 30, 2012 from $290.5 million at October 31, 2011. Excluding the effects of discontinued operations, working capital increased by $4.0 million to $292.6 million at April 30, 2012 from $288.6 million at October 31, 2011. The increase in working capital was primarily driven by the timing of collections received from clients, and payments made for prepaid expenses and employee-compensation-related accruals, partially offset by use of cash to pay down a portion of the outstanding borrowings under the Facility, and the timing of payments made for insurance claims, income taxes, and other accrued liabilities.

Cash Flows from Operating Activities

Net cash provided by operating activities increased by $22.3 million to $55.5 million at April 30, 2012 from $33.2 million at April 30, 2011. The increase was primarily related to the timing of collections received from clients, payments made for vendor invoices, insurance claims, income taxes and other accrued liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities decreased by $282.6 million to $15.1 million at April 30, 2012 from $297.7 million at April 30, 2011. The decrease in net cash used in investing activities is primarily related to $292.2 million cash paid, net of cash acquired, for the Linc Acquisition in December 2010, partially offset by the redemption of an auction rate security of $5.0 million in February 2011, and a period-over-period increase in property, plant and equipment in the amount of $6.8 million.

Cash Flows from Financing Activities

Net cash used in financing activities was $41.5 million at April 30, 2012 compared to net cash provided of $248.4 million at April 30, 2011. The $289.9 million decrease in cash flows for financing activities was primarily related to $306.8 million of cash borrowed to finance the Linc Acquisition in fiscal 2011, partially offset by cash paid on deferred financing costs of $5.0 million, and higher net repayments made on the Company's Facility during the six months ended April 30, 2012.

Contingencies

The Company is subject to legal proceedings, settlements, class actions, and purported class actions arising from the ordinary course of business, generally including employment-based claims and customer contract claims. Litigation outcomes are difficult to predict and are often resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. At April 30, 2012, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $10.6 million.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible but not probable. Management currently estimates that the range of loss for all reasonably possible losses for which an estimate can be made is between $0 and $2.3 million. Factors underlying this estimate will change from time to time, and actual results may vary significantly from this estimate. Those matters for which the Company cannot reasonably estimate potential losses are not included within this estimated range and, therefore, this range does not represent the Company’s maximum potential loss exposure. The ultimate resolution of such matters is always uncertain, and any such proceeding brought against the Company could have a material adverse impact on its financial condition and results of operations.

For additional information about the Company’s contingencies, see Notes to Unaudited Consolidated Financial Statements – *Note 10. Contingencies.*

Critical Accounting Policies and Estimates

The Company’s accompanying consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require the Company to make estimates in the application of its accounting policies based on the best assumptions, judgments, and opinions of management. There have been no significant changes to the Company’s critical accounting policies and estimates, including factors which might result in an impairment of goodwill associated with the Security segment in the future. For a description of the Company’s critical accounting policies, see Item 7. “Management’s Discussion and Analysis of Financial Conditions and Results of Operations”, in the Company’s Annual Report on Form 10-K for the year ended October 31, 2011.

Additionally, effective January 1, 2012 the Company is self-insured for certain employee medical and dental programs. Although the Company engages third-party experts to assist in estimating appropriate self-insurance accounting reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company’s reserves. Changes in the Company’s insurance reserves, as a result of periodic evaluations of the related liabilities, may cause volatility in the Company’s operating results in future periods.

Recent Accounting Pronouncements

For information about recent accounting pronouncements see Notes to Unaudited Consolidated Financial Statements – *Note 2. Unaudited Interim Financial Information: Recent Accounting Pronouncements*.

Forward-looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q, and, in particular, statements found in Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, that are not historical in nature are forward-looking statements that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should”, or “anticipates” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements involve predictions. The Company’s actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. The Company urges readers to consider those risks and uncertainties in evaluating its forward-looking statements. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Unless otherwise noted, all information in the discussion and references to years are based on the Company’s fiscal year, which ends on October 31.

There are a number of important factors that could cause our results to differ materially from those indicated by such forward-looking statements, including those factors set forth in Item 1A. “Risk Factors” in the Annual Report. These factors include but are not limited to the following:

- we may not be able to achieve anticipated global growth due to various factors, including, but not limited to, an inability to make strategic acquisitions or compete internationally; our acquisition strategy may adversely impact our results of operations as we may not be able to achieve anticipated results from any given acquisition; and activities relating to integrating an acquired business may divert management’s focus on operational matters;
- we are subject to intense competition that can constrain our ability to gain business, as well as our profitability;
- any increases in costs that we cannot pass on to clients could affect our profitability;
- we have high deductibles for certain insurable risks, and, therefore are subject to volatility associated with those risks;
- we primarily provide our services pursuant to agreements which are cancelable by either party upon 30 to 90 days’ notice;
- our success depends on our ability to preserve our long-term relationships with clients;
- our international business exposes us to additional risks, including risks related to compliance with both U.S. and foreign laws;
- we conduct some of our operations through joint ventures and our ability to do business may be affected by the failure of our joint venture partners to perform their obligations or the improper conduct of employees, joint venture partners or agents;
- significant delays or reductions in appropriations for our government contracts as well as changes in government and clients’ priorities and requirements (including cost-cutting, the potential deferral of awards, reductions or termination of expenditures in response to the priorities of Congress and the Executive Office, or budgetary cuts) may negatively affect our business, and could have a material adverse effect on our financial position, results of operations or cash flows;
- we incur significant accounting and other control costs that reduce profitability;
- a decline in commercial office building occupancy and rental rates could negatively affect our revenues and profitability;
- deterioration in economic conditions in general could further reduce the demand for facility services and, as a result, could reduce our earnings and adversely affect our financial condition;
- financial difficulties or bankruptcy of one or more of our major clients could adversely affect our results;
- our ability to operate and pay our debt obligations depends upon our access to cash;
- future declines in the fair value of our investments in auction rate securities could negatively impact our earnings;
- uncertainty in the credit markets may negatively impact our costs of borrowing, our ability to collect receivables on a timely basis and our cash flow;
- any future increase in the level of debt or in interest rates can negatively affect our results of operations;
- an impairment charge could have a material adverse effect on our financial condition and results of operations;
- we are defendants in a number of class and representative actions or other lawsuits alleging various claims that could cause us to incur substantial liabilities;
- federal health care reform legislation may adversely affect our business and results of operations;
- changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations and financial results;
- labor disputes could lead to loss of revenues or expense variations;
- we participate in multiemployer defined benefit plans which could result in substantial liabilities being incurred; and
- natural disasters or acts of terrorism could disrupt services.

Additional information regarding these and other risks and uncertainties the Company faces is contained in the Annual Report and in other reports it files from time to time with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Sensitive Instruments

The Company's primary market risk exposure is interest rate risk. The potential impact of adverse increases in this risk is discussed below. The following sensitivity analysis does not consider the effects that an adverse change may have on the overall economy nor does it consider actions the Company may take to mitigate its exposure to these changes. Results of changes in actual rates may differ materially from the following hypothetical results.

Interest Rate Risk

Line of Credit

The Company's exposure to interest rate risk primarily relates to its variable rate based borrowings under the $650.0 million five-year syndicated line of credit that expires in September 2016. At April 30, 2012, outstanding LIBOR-and IBOR-based borrowings of $266.0 million represented 100% of the Company's total debt obligations. While these borrowings mature over the next 90 days, the line of credit extends through September 2016, subject to the terms of the line of credit. The Company anticipates borrowing similar amounts for periods of one week to three months. A hypothetical 1% increase in interest rates during 2012 would have added additional interest expense of $1.4 million on the average outstanding borrowings under the Company's line of credit, net of the interest rate swap agreements, in the six months ended April 30, 2012.

For additional information about the Company's line of credit, see Notes to Unaudited Consolidated Financial Statements – *Note 8. Line of Credit Facility.*

Interest Rate Swap

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of $25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

As of April 30, 2012, the fair value of the interest rate swap was a $0.2 million liability, which was included in "retirement plans and other" on the accompanying unaudited consolidated balance sheet. The effective portion of this cash flow hedge is recorded within accumulated other comprehensive loss and reclassified into interest expense in the same period during which the hedged transactions affect earnings. The amount included in accumulated other comprehensive loss was $0.2 million ($0.1 million, net of taxes) at April 30, 2012.

For additional information about the Company's interest rate swap, see Notes to Unaudited Consolidated Financial Statements – *Note 8. Line of Credit Facility: Interest Rate Swap.*

Investment in Auction Rate Securities

At April 30, 2012, the Company held investments in auction rate securities from four different issuers having an aggregate original principal amount of $20.0 million. The investments are not subject to material interest rate risk. These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days based on spreads to a base rate (i.e., LIBOR). A hypothetical 1% increase in interest rates during 2012 would have added approximately $0.1 million of additional interest income in the six months ended April 30, 2012.

During the quarter ended April 30, 2012, the Company recorded an additional other-than-temporary impairment ("OTTI") credit loss of $0.3 million for one of its auction rate securities, driven primarily from a change in the expected values of cash flows to be received in the future. The Company had previously recognized an OTTI credit loss of $1.7 million for this security as of the year ended October 31, 2011.

For additional information about the Company's auction rate securities, see Notes to Unaudited Consolidated Financial Statements – *Note 6. Auction Rate Securities.*

Foreign Currency

Substantially all of the operations of the Company are conducted in the United States and, as such, are not subject to material foreign currency exchange rate risk.

Item 4. Controls and Procedures

a. Disclosure Controls and Procedures

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

b. Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended April 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting, other than the continued remediation of certain controls associated with the Linc Acquisition on December 1, 2010 and integration activities.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A discussion of material developments in the Company's litigation occurring in the period covered by this report can be found in Note 10, "Contingencies," to the unaudited consolidated financial statements in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes to the risk factors identified in our Annual Report on Form 10-K for the year ended October 31, 2011, in response to Item 1A. "Risk Factors", to Part I of the Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

10.1*‡	2006 Equity Incentive Plan, as amended and restated January 10, 2012.
31.1‡	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2‡	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS†	XBRL Report Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Definition Linkbase Document
101.LAB†	XBRL Taxonomy Label Linkbase Document
101.PRE†	XBRL Taxonomy Presentation Linkbase Document

* Indicates management contract or compensatory plan, contract or arrangement
‡ Indicates filed herewith
† Indicates furnished herewith

SIGNATURES

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

	ABM Industries Incorporated
June 7, 2012	/s/ James S. Lusk
	James S. Lusk Executive Vice President and Chief Financial Officer (Duly Authorized Officer)
June 7, 2012	/s/ Dean A. Chin
	Dean A. Chin Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 10.1

2006 EQUITY INCENTIVE PLAN
As amended and restated January 10, 2012

1. PURPOSE.

This 2006 Equity Incentive Plan, as amended, is intended to provide incentive to Employees and Directors of ABM Industries Incorporated (the "Company") and its eligible Affiliates, to encourage proprietary interest in the Company and to encourage Employees and Directors to remain in the service of the Company or its Affiliates.

2. DEFINITIONS.

(a) "Administrator" means the Board or the committee of the Board appointed to administer the Plan, or a delegate of the Board as provided in Section 4(c).

(b) "Affiliate" means any entity, whether a corporation, partnership, joint venture or other organization that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company.

(c) "After-Tax Amount" means any amount to be received by a Participant in connection with a Change in Control determined on an after-tax basis taking into account the excise tax imposed pursuant to Code Section 4999, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes.

(d) "Award" means any award of an Option, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares or an Other Share-Based Award under the Plan.

(e) "Award Agreement" means the agreement between the Company and the recipient of an Award which contains the terms and conditions pertaining to the Award.

(f) "Beneficiary" means a person designated as such by a Participant or a Beneficiary for purposes of the Plan or determined with reference to Section 21.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means (i) serious misconduct, dishonesty, disloyalty or insubordination; (ii) the Participant's conviction (or entry of a plea bargain admitting criminal guilt) of any felony or misdemeanor involving moral turpitude; (iii) drug or alcohol abuse that has a material or potentially material effect on the Company's reputation and/or the performance of the Participant's duties and responsibilities under the Participant's employment agreement; (iv) failure to substantially perform the Participant's duties or responsibilities under the Participant's employment agreement for reasons other than death or disability; (v) repeated inattention to duty for reasons other than death or disability; or (vi) any other material breach of the Participant's employment agreement by the Participant.

(i) "Change in Control" means, unless otherwise set forth in an award agreement, that any of the following events occurs:

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

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

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

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means the Compensation Committee of the Board.

(l) "Common Stock" means the $.01 par value common stock of the Company.

(m) "Company" means ABM Industries Incorporated, a Delaware company.

(n) "Covered Employee" shall have the meaning assigned in Code Section 162(m), as amended, which generally includes the chief executive officer or any Employee whose total compensation for the taxable year is required to be reported to shareholders under the Exchange Act by reason of such Employee being among the four highest compensated officers for the taxable year (other than the chief executive officer).

(o) "Director" means a director of the Company.

(p) "Disability" or "Disabled" means, unless otherwise set forth in an award agreement, that the Participant is unable to engage in any substantial gainful activity by reason or any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(q) "Employee" means an individual employed by the Company or an Affiliate (within the meaning of Code Section 3401 and the regulations thereunder).

(r) "Employer" means the Company or an Affiliate, which is the employer of a Participant.

(s) "Executive Officer" means any person who is an officer of the Company for purposes of Section 16 of the Exchange Act.

(t) "Excess Equity Award" means the positive difference, if any, between the value of the Award granted to an Executive Officer and the Award that would have been made to such Executive Officer had the amount of the Award been calculated based on the Company's financial statements as restated.

(u) "Excess Parachute Payment" means a payment that creates an obligation for a Participant to pay excise taxes under Code Section 280G or any successor provision thereto.

(v) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

w) “Exercise Price” means the price per Share of Common Stock at which an Option or Stock Appreciation Right may be exercised.

(x) “Fair Market Value” of a Share as of a specified date, unless otherwise determined by the Committee, means the closing price at which Shares are traded on such date (or, if no trading of Shares is reported for that day, on the next following day on which trading is reported) on the principal stock market or exchange on which the Shares are traded; provided that if Shares are not so traded, the fair market value shall be determined by the Committee.

(y) “Family Member” means any person identified as an “immediate family” member in Rule 16(a)-1(c) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a “family member” to the extent consistent with applicable securities laws.

(z) “Full Value Award” means an Award denominated in Shares that does not provide for full payment in cash or property by the Participant.

(aa) “Incentive Stock Option” means an Option described in Code Section 422(b).

(bb) “Incumbent Directors” means the individuals who, as of the date of adoption of this Plan, are Directors of the Company and any individual becoming a Director subsequent to the date hereof whose election, nomination for election by the Company’s shareholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual’s election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

(cc) “Independent Committee” means any committee consisting of independent Directors designated by the independent members of the Board.

(dd) “Nonqualified Stock Option” means an Option not described in Code Section 422(b) or 423(b).

(ee) “Non-Employee Director” means a Director who is not an Employee.

(ff) “Option” means a stock option granted pursuant to Section 7.

(gg) “Option Proceeds” means, with respect to any sale or other disposition of Shares issued or issuable upon the exercise of an Option, an amount determined appropriate by the independent members of the Board or the Independent Committee, in its sole judgment, to reflect the effect of a restatement of the Company’s financial statements on the Company’s stock price, up to an amount equal to the number of Shares sold or disposed of, multiplied by a number equal to the difference between the Fair Market Value per Share at the time of sale or disposition and the Exercise Price.

(hh) “Other Share-Based Award’ means an Award granted pursuant to Section 12.

(ii) “Participant” means an Employee or Director who has received an Award.

(jj) “Performance Shares” means an Award denominated in Shares granted pursuant to Section 11 that may be earned in whole or in part based upon attainment of performance objectives, which shall be established by the Administrator pursuant to Section 14 with respect to Awards intended to be “performance-based” for purposes of Section 162(m) of the Code.

(kk) “Plan” means this 2006 Equity Incentive Plan, as amended.

(ll) “Prior Plans” means the Company’s 2002 Price-Vested Stock Option Plan, the 1996 Price-Vested Stock Option Plan and the Time-Vested Stock Option Plan.

(mm) “Purchase Price” means the Exercise Price times the number of whole Shares with respect to which an Option is exercised.

(nn) “Restricted Stock” means Shares granted pursuant to Section 9.

(oo) “Restricted Stock Unit” means an Award denominated in Shares granted pursuant to Section 10 in which the Participant has the right to receive a specified number of Shares over a specified period of time.

(pp) “Retirement” means the voluntary termination of employment by an Employee at (i) age 60 or (ii) age 55 or older at a time when age plus years of service equals or exceeds 65.

(qq) “Share” means one share of Common Stock, adjusted in accordance with Section 19 (if applicable).

(rr) “Share Equivalent” means a bookkeeping entry representing a right to the equivalent of one Share.

(ss) “Stock Right” means a right to receive an amount equal to the value of a specified number of Shares which will be payable in Shares or cash as established by the Administrator.

(tt) “Subsidiary” means any company in an unbroken chain of companies beginning with the Company if each of the companies other than the last company in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other Companies in such chain.

3. EFFECTIVE DATE.

This Plan was adopted by the Board on January 10, 2006, to be effective on the date the Plan is approved by the Company’s shareholders.

4. ADMINISTRATION.

(a) Administration with respect to Non-Employee Directors. With respect to Awards to Non-Employee Directors, the Plan shall be administered by the Governance Committee of the Board or another independent committee of the Board.

(b) Administration with respect to Employees. With respect to Awards to Employees, the Plan shall be administered by the Board, the Committee or a committee of the Board consisting of Board members who qualify as an “outside director” for purposes of Code Section 162(m) and as a “non-employee director” for purposes of Rule 16b-3 promulgated under the Exchange Act.

(i) If any member of the Committee does not qualify as an “outside director” for purposes of Code Section 162(m), Awards under the Plan for the Covered Employees shall be administered by a subcommittee consisting of each Committee member who qualifies as an “outside director.” If fewer than two Committee members qualify as “outside directors,” the Board shall appoint one or more other Board members to such subcommittee who do qualify as “outside directors,” so that the subcommittee will at all times consist of two or more members all of whom qualify as “outside directors” for purposes of Code Section 162(m).

(ii) If any member of the Committee does not qualify as a “non-employee director” for purposes of Rule 16b-3 promulgated under the Exchange Act, then Awards under the Plan for the executive officers of the Company and Directors shall be administered by a subcommittee consisting of each Committee member who qualifies as a “non-employee director.” If fewer than two Committee members qualify as “non-employee directors,” then the Board shall appoint one or more other Board members to such subcommittee who do qualify as “non-employee directors,” so that the subcommittee will at all times consist of two or more members all of whom qualify as “non-employee directors” for purposes of Rule 16b-3 promulgated under the Exchange Act.

(c) Delegation of Authority to an Officer of the Company or Other Board Committee. The Board may delegate to (i) an officer or officers of the Company and/or (ii) a committee of the Board which may consist of Directors who are also Employees the authority to administer the Plan with respect to Awards made to Employees who are not subject to Section 16 of the Exchange Act.

(d) Powers of the Administrator. The Administrator shall from time to time at its discretion make determinations with respect to Employees and Directors who shall be granted Awards, the number of Shares or Share Equivalents to be subject to each Award, the vesting of Awards, the designation of Options as Incentive Stock Options or Nonqualified Stock Options and other conditions of Awards.

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

5. ELIGIBILITY.

Subject to the terms and conditions set forth below, Awards may be granted to Employees or Directors. Notwithstanding the foregoing, only employees of the Company and its Subsidiaries may be granted Incentive Stock Options.

(a) Ten Percent Shareholders. An Employee who owns more than 10% of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries is not eligible to receive an Incentive Stock Option pursuant to this Plan. For purposes of this Section 5(a) the stock ownership of an Employee shall be determined pursuant to Code Section 424(d).

(b) Number of Awards. A Participant may receive more than one Award, including Awards of the same type, but only on the terms and subject to the restrictions set forth in the Plan. Subject to adjustment as provided in Section 19, the following maximum limits shall apply to the amount that may be awarded to any Participant during any calendar year: (i) Options and Stock Appreciation Rights that relate to no more than 1,000,000 Shares; and (ii) Performance Shares, Restricted Stock, Restricted Stock Units and Other Share-Based Awards that relate to no more than 1,000,000 Shares.

6. STOCK.

The stock subject to Awards granted under the Plan shall be Shares of the Company's authorized but unissued or reacquired Common Stock. The aggregate number of Shares subject to Awards issued under this Plan (including Shares previously authorized by the Company's shareholders) shall not exceed 10,279,265 Shares. Notwithstanding the foregoing, for any one Share issued in connection with a Full Value Award, one fewer Share will be available for issuance in connection with future Awards. If any outstanding Option or Stock Appreciation Right under the Plan or any outstanding stock option grant under the Prior Plans for any reason expires or is terminated or any Restricted Stock or Other Share-Based Award is forfeited and under the terms of the expired or terminated Award the Participant received no benefits of ownership during the period the Award was outstanding, then the Shares allocable to the unexercised portion of such Option or the forfeited Restricted Stock or Other Share-Based Award may again be subjected to Awards under the Plan. The following Shares may not again be made available for issuance under the Plan: Shares not issued or delivered as a result of the net exercise of a Stock Appreciation Right or Option and Shares used to pay the withholding taxes related to an Award.

The limitations established by this Section 6 shall be subject to adjustment as provided in Section 19.

7. TERMS AND CONDITIONS OF OPTIONS.

Options granted to Employees and Directors pursuant to the Plan shall be evidenced by written Option Agreements in such form as the Administrator shall determine, subject to the following terms and conditions:

(a) Number of Shares. Each Option shall state the number of Shares to which it pertains, which shall be subject to adjustment in accordance with Section 19.

(b) Exercise Price. Each Option shall state the Exercise Price, determined by the Administrator, which shall not be less than the Fair Market Value of a Share on the date of grant, except as provided in Section 19.

(c) Medium and Time of Payment. The Purchase Price shall be payable in full in United States dollars upon the exercise of the Option; provided that with the consent of the Administrator and in accordance with its rules and regulations, the Purchase Price may be paid by the surrender of Shares in good form for transfer, owned by the person exercising the Option and having a Fair Market Value on the date of exercise equal to the Purchase Price, or in any combination of cash and Shares, or in such acceptable form of payment as approved by the Administrator, so long as the total of the cash and the Fair Market Value of the Shares surrendered equals the Purchase Price. No Shares shall be issued until full payment has been made.

(d) Term and Exercise of Options; Nontransferability of Options. Each Option shall state the date after which it shall cease to be exercisable. No Option shall be exercisable after the expiration of ten years from the date it is granted or such lesser period established by the Administrator; *provided* that unless otherwise specified by the Administrator, the Company's practice shall be that no Option shall be exercisable after the expiration of seven years from the date it is granted. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, (i) a Participant may designate a Beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (ii) a Nonstatutory Stock Option or any right granted thereunder may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act; and (iii) any Participant may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity domiciled in the United States in which more than 50% of the voting or beneficial interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Company at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

(e) Termination of Employment. In the event that a Participant who is an Employee ceases to be employed by the Company or any of its Affiliates for any reason, such Participant (or in the case of death, such Participant's designated Beneficiary) shall have the right (subject to the limitation that no Option may be exercised after its stated expiration date) to exercise the Option either:

(i) within four months after such termination of employment; or

(ii) in the case of Retirement or death within one year after the date thereof; or

(iii) in the case of Disability, within one year from the date the Committee or its delegate determines that the Participant is Disabled, or

(iv) on such other terms established by the Committee in the Agreement or otherwise prior to termination to the extent that, at the date of termination of employment, the Option had vested pursuant to the terms of the Option Agreement with respect to which such Option was granted and had not previously been exercised. However, in addition to the rights and obligations established in Section 16 below, if the employment of a Participant is terminated by the Company or an Affiliate by reason of Cause, such Option shall cease to be exercisable at the time of the Participant's termination of employment. The independent members of the Board or the Independent Committee shall determine whether a Participant's employment is terminated by reason of Cause. In making such determination, such body shall act fairly and shall give the Participant an opportunity to be heard and present evidence on his or her behalf. If a Participant's employment terminates for reasons other than Cause, but Cause is discovered after the termination and is determined to have occurred by such body, all outstanding Options shall cease to be exercisable upon such determination.

For purposes of this Section, the employment relationship will be treated as continuing while the Participant is on military leave, sick leave (including short-term disability) or other bona fide leave of absence (to be determined in the sole discretion of the Administrator, in accordance with rules and regulations construing Code Sections 422(a)(2) and 409A). Notwithstanding the foregoing, in the case of an Incentive Stock Option, employment shall not be deemed to continue beyond three months after the Participant ceased active employment, unless the Participant's reemployment rights are guaranteed by statute or by contract. In the event that an Incentive Stock Option is exercised after the period following termination of employment that is required for qualification under Code Section 422(b), such Option shall be treated as a Nonqualified Stock Option for all Plan purposes.

In the event a Non-Employee Director terminates service as a Director, the former Director (or his or her designated Beneficiary in the event of the Non-Employee Director's death) shall have the right (subject to the limitation that no Option may be exercised after its stated expiration date) to exercise the Option (to the extent vested pursuant to the terms of the Option Agreement and not previously exercised) within one year after such termination or on such other terms established by the Board in the Agreement or otherwise prior to termination of service.

(f) Rights as a Shareholder. A Participant or a transferee of a Participant shall have no rights as a shareholder with respect to any Shares covered by his or her Option until the date of issuance of a stock certificate for such Shares. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 19.

(g) Modification, Extension and Renewal of Options. Subject to the terms and conditions and within the limitations of the Plan, including the limitations of Section 22, the Administrator may modify, extend or renew outstanding Options granted to Employees and Directors under the Plan. Notwithstanding the foregoing, however, no modification of an Option shall, without the consent of the Participant, alter or impair any rights or obligations under any Option previously granted under the Plan or cause any Option to fail to be exempt from the requirements of Code Section 409A.

(h) Limitation of Incentive Stock Option Awards. If and to the extent that the aggregate Fair Market Value (determined as of the date the Option is granted) of the Shares with respect to which any Incentive Stock Options are exercisable for the first time by a Participant during any calendar year under this Plan and all other plans maintained by the Company, its parent or its Subsidiaries exceeds $100,000, the excess (taking into account the order in which they were granted) shall be treated as Nonqualified Stock Options.

(i) No Reload Options. Options that provide for the automatic grant of another Option upon exercise of the original Option may not be granted under the Plan.

(j) Other Provisions. The Option Agreement shall contain such other provisions that are consistent with the terms of the Plan, including, without limitation, restrictions upon the exercise of the Option, as the Administrator shall deem advisable.

8. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights granted to Participants pursuant to the Plan may be granted alone, in addition to, or in conjunction with, Options.

(a) Number of Shares. Each Stock Appreciation Right shall state the number of Shares or Share Equivalents to which it pertains, which shall be subject to adjustment in accordance with Section 19.

(b) Calculation of Appreciation; Exercise Price. The appreciation distribution payable on the exercise of a Stock Appreciation Right will be equal to the excess of (i) the aggregate Fair Market Value (on the day before the date of exercise of the Stock Appreciation Right) of a number of Shares equal to the number of Shares or Share Equivalents in which the Participant is vested under such Stock Appreciation Right on such date, over (ii) the Exercise Price determined by the Administrator on the date of grant of the Stock Appreciation Right which shall not be less than 100% of the Fair Market Value of a Share on the date of grant.

(c) Term and Exercise of Stock Appreciation Rights. Each Stock Appreciation Right shall state the time or times when it may become exercisable. No Stock Appreciation Right shall be exercisable after the expiration of seven years from the date it is granted or such lesser period established by the Administrator.

(d) Payment. The appreciation distribution in respect of a Stock Appreciation Right may be paid in Common Stock or in cash, or any combination of the two, or in any other form of consideration as determined by the Administrator and contained in the Stock Appreciation Right Agreement.

(e) Limitations on Transferability. A Stock Appreciation Right shall, during a Participant's lifetime, be exercisable only by the Participant. No Stock Appreciation Right or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Stock Appreciation Rights outstanding on the date of termination of employment. Each Stock Appreciation Right Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's employment or service with the Company and its Affiliates. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Stock Appreciation Right Agreements entered into pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

(f) Termination of Employment. Each Stock Appreciation Right Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's employment of service with the Company and its Affiliates. Such provisions shall be determined in the sole discretion of the Administrator, need not be uniform among all Stock Appreciation Rights Agreements entered into pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

(g) Rights as a Shareholder. A Participant or a transferee of a Participant shall have no rights as a shareholder with respect to any Shares covered by his or her Stock Appreciation Right until the date of issuance of such Shares. Except as provided in Section 19, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such Shares are issued.

(h) Other Terms and Conditions. The Stock Appreciation Right Agreement may contain such other terms and conditions, including restrictions or conditions on the vesting of the Stock Appreciation Right or the conditions under which the Stock Appreciation Right may be forfeited, as may be determined by the Administrator that are consistent with the Plan.

9. RESTRICTED STOCK.

(a) Grants. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares of Restricted Stock to be awarded, the price (if any) to be paid by the recipient of Restricted Stock, the time or times within which such Awards may be subject to forfeiture, and all other terms and conditions of the Awards. The Administrator may condition the grant of Restricted Stock upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Restricted Stock Award shall be set forth in a Restricted Stock Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. Each Participant receiving a Restricted Stock Award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award. The Administrator shall require that stock certificates evidencing such shares be held by the Company until the restrictions lapse and that, as a condition of any Restricted Stock Award, the Participant shall deliver to the Company a stock power relating to the stock covered by such Award. Notwithstanding any other provision of the Plan to the contrary, except with respect to a maximum of 5% of the shares authorized for issuance under Section 6, any Awards of Restricted Stock which vest on the basis of the Participant's length of service with the Company or its subsidiaries shall not provide for vesting that is any more rapid than annual pro rata vesting over a three-year period, and any Awards of Restricted Stock which provide for vesting upon the attainment of performance goals shall provide for a performance period of at least 12 months.

(b) Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Section 9 shall be subject to the following restrictions and conditions:

(i) During a period set by the Administrator commencing with the date of such Award (the "Restriction Period"), the Participant shall not be permitted to sell, transfer, pledge, assign or encumber shares of Restricted Stock awarded under the Plan. Within these limits, the Administrator, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance, or such other factors or criteria as the Administrator may determine in its sole discretion.

(ii) Except as provided in this paragraph (ii) and paragraph (i) above, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any cash dividends; provided that the Administrator shall provide that either (A) the payment of ordinary cash dividends shall be delayed unless and until the underlying Restricted Stock becomes vested or (B) such ordinary cash dividends shall be invested in additional shares of Restricted Stock (or Share Equivalents or Restricted Stock Units) to the extent available under Section 6, which shall be subject to the same restrictions as the underlying Restricted Stock. Stock dividends issued with respect to Restricted Stock shall be treated as additional shares of Restricted Stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued.

(iii) The Administrator shall specify the conditions under which shares of Restricted Stock shall vest or be forfeited and such conditions shall be set forth in the Restricted Stock Agreement.

(iv) If and when the Restriction Period applicable to shares of Restricted Stock expires without a prior forfeiture of the Restricted Stock, certificates for an appropriate number of unrestricted shares shall be delivered promptly to the Participant, and the certificates for the shares of Restricted Stock shall be cancelled.

10. RESTRICTED STOCK UNITS.

(a) Grants. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Restricted Stock Units to be awarded, the price (if any) to be paid by the recipient of the Restricted Stock Units, the time or times within which such Restricted Stock Units may be subject to forfeiture, and all other terms and conditions of the Restricted Stock Unit Awards. The Administrator may condition the grant of Restricted Stock Unit Awards upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Restricted Stock Unit Award shall be set forth in a Restricted Stock Unit Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. With respect to a Restricted Stock Unit Award, no certificate for shares of stock shall be issued at the time the grant is made (nor shall any book entry be made in the records of the Company), and the Participant shall have no right to or interest in shares of stock of the Company as a result of the grant of Restricted Stock Units.

(b) Restrictions and Conditions. The Restricted Stock Units awarded pursuant to this Section 10 shall be subject to the following restrictions and conditions:

(i) At the time of grant of a Restricted Stock Unit Award, the Administrator may impose such restrictions or conditions on the vesting of the Restricted Stock Units, as the Administrator deems appropriate. Within these limits, the Administrator, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, performance, a Change in Control or such other factors or criteria as the Administrator may determine in its sole discretion. The foregoing notwithstanding, no action pursuant to the preceding sentence may alter the time of payment of the Restricted Stock Unit Award, if such alteration would cause the Award to be subject to penalty under Code Section 409A.

(ii) Dividend equivalents may be credited in respect of Restricted Stock Units, as the Administrator deems appropriate. Such dividend equivalents may be paid in cash (subject to the vesting schedule of the underlying Restricted Stock Units) or converted into additional Restricted Stock Units by dividing (1) the aggregate amount or value of the dividends paid with respect to that number of Shares equal to the number of Restricted Stock Units then credited by (2) the Fair Market Value per Share on the payment date for such dividend. The additional Restricted Stock Units credited by reason of such dividend equivalents will be subject to all of the terms and conditions (including the vesting schedule) of the underlying Restricted Stock Unit Award to which they relate.

(iii) The Administrator shall specify the conditions under which Restricted Stock Units shall vest or be forfeited and such conditions shall be set forth in the Restricted Stock Unit Agreement.

(c) Deferral Election. Each recipient of a Restricted Stock Unit Award may be eligible, subject to Administrator approval, to elect to defer all or a percentage of any Shares he or she may be entitled to receive upon the lapse of any restrictions or vesting period to which the Award is subject. This election shall be made by giving notice in a manner and within the time prescribed by the Administrator and in compliance with the requirements of Code Section 409A. Each Participant must indicate the percentage (expressed in whole percentages) he or she elects to defer of any Shares he or she may be entitled to receive. If no notice is given, the Participant shall be deemed to have made no deferral election. Each deferral election filed with the Administrator shall become irrevocable on and after the prescribed deadline.

11. PERFORMANCE SHARES.

(a) Grants. Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom, and the time or times at which, grants of Performance Shares will be made, the number of Performance Shares to be awarded, the price (if any) to be paid by the recipient of the Performance Shares, the time or times within which such Performance Shares may be subject to forfeiture, and all other terms and conditions of the Performance Share Awards. The Administrator may condition the grant of Performance Share Awards upon the attainment of specified performance objectives established by the Administrator pursuant to Section 14 or such other factors as the Administrator may determine, in its sole discretion.

The terms of each Performance Share Award shall be set forth in a Performance Share Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan. With respect to a Performance Share Award, no certificate for shares of stock shall be issued at the time the grant is made (nor shall any book entry be made in the records of the Company), and the Participant shall have no right to or interest in shares of stock of the Company as a result of the grant of Performance Shares.

(b) Restrictions and Conditions. The Performance Shares awarded pursuant to this Section 11 shall be subject to the following restrictions and conditions:

(i) At the time of grant of a Performance Share Award, the Administrator may set performance objectives in its discretion which, depending on the extent to which they are met, will determined the number of Performance Shares that will be paid out to the Participant. The time period during which the performance objectives must be met will be called the "Performance Period." After the applicable Performance Period has ended, the recipient of the Performance Shares will be entitled to receive the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved. After the grant of a Performance Share Award, the Administrator, in its sole discretion, may reduce or waive any performance objective for such Performance Share Award; provided, however, that no performance objective may be waived or reduced for a Covered Employee and further provided that no such action may alter the time of payment of the Performance Share Award, if such alteration would cause the award to be subject to penalty under Code Section 409A.

(ii) Dividend equivalents will not be credited in respect of any unearned Performance Share Award during the applicable Performance Period.

12. OTHER SHARE-BASED AWARDS.

(a) Grants. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares ("Other Share-Based Awards"), may be granted either alone or in addition to or in conjunction with other Awards under this Plan. Awards under this Section 12 may include (without limitation) Stock Rights, the grant of Shares conditioned upon some specified event, the payment of cash based upon the performance of the Shares or the grant of securities convertible into Shares.

Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom and the time or times at which Other Share-Based Awards shall be made, the number of Shares or other securities, if any, to be granted pursuant to Other Share-Based Awards, and all other conditions of the Other Share-Based Awards. The Administrator may condition the grant of an Other Share-Based Award upon the attainment of specified performance goals or such other factors as the Administrator shall determine, in its sole discretion. In granting an Other Share-Based Award, the Administrator may determine that the recipient of an Other Share-Based Award shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Shares or other securities covered by the Award, and the Administrator may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested; provided that the Administrator shall provide that either (A) the payment of ordinary cash dividends shall be delayed unless and until the underlying Award becomes vested or (B) such ordinary cash dividends shall be invested in additional Shares, Share Equivalents or Restricted Stock Units to the extent available under Section 6, which shall be subject to the same restrictions as the underlying Award. The terms of any Other Share-Based Award shall be set forth in an Other Share-Based Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan.

(b) Terms and Conditions. In addition to the terms and conditions specified in the Other Share-Based Award Agreement, Other Share-Based Awards shall be subject to the following:

(i) Any Other Share-Based Award may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued or the Award becomes payable, or, if later, the date on which any applicable restriction, performance or deferral period lapses.

(ii) The Other Share-Based Award Agreement shall contain provisions dealing with the disposition of such Award in the event of termination of the Employee's employment or the Director's service prior to the exercise, realization or payment of such Award, and the Administrator in its sole discretion may provide for payment of the Award in the event of the Participant's retirement, Disability or death or a Change in Control, with such provisions to take account of the specific nature and purpose of the Award.

13. OTHER PAYMENTS IN SHARES.

Shares may be issued under this Plan to satisfy the payment of all or part of an award pursuant to the Company's annual bonus plan. In addition, all or part of any Director's fees may be paid in Shares or Share Equivalents issued under this Plan. Any Shares issued pursuant to this Section 13 shall reduce the number of Shares authorized under Section 6 but shall not be considered an Award for purposes of the maximum grant limitation in Section 5(b).

14. PERFORMANCE OBJECTIVES.

(a) Authority to Establish. The Administrator shall determine the terms and conditions of Awards at the date of grant or thereafter; provided that performance objectives for each year, if any, shall be established by the Administrator not later than the latest date permissible under Code Section 162(m).

(b) Criteria. To the extent that such Awards are paid to Employees the performance objectives to be used, if any, shall be expressed in terms of one or more of the following: total shareholder return; earnings per share; stock price; return on equity; net earnings; income from continuing operations; related return ratios; cash flow; net earnings growth; earnings before interest, taxes, depreciation and amortization (EBITDA); gross or operating margins; productivity ratios; expense targets; operating efficiency; market share; customer satisfaction; working capital targets (including, but not limited to days sales outstanding); return on assets; increase in revenues; decrease in expenses; increase in funds from operations (FFO); and increase in FFO per share. Awards may be based on performance against objectives for more than one Subsidiary or segment of the Company. For example, awards for a Participant employed by the Company may be based on overall corporate performance against objectives, but awards for a Participant employed by a Subsidiary may be based on a combination of corporate, segment, and Subsidiary performance against objectives. Performance objectives, if any, established by the Administrator may be (but need not be) different from year-to-year, and different performance objectives may be applicable to different Participants. Performance objectives may be determined on an absolute basis or relative to internal goals or relative to levels attained in prior years or related to other companies or indices or as ratios expressing relationships between two or more performance objectives. In addition, performance objectives may be based upon the attainment of specified levels of Company performance under one or more of the measures described above relative to the performance of other corporations.

(c) Adjustments. The Committee shall specify the manner of adjustment of any performance objectives to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction. Any adjustment to performance objectives pursuant to this Section 14(c) shall be done in accordance with Code Section 162(m).

15. CHANGE IN CONTROL.

(a) Discretion to Accelerate. An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the applicable Award Agreement and determined by the Administrator on a grant by grant basis or as may be provided in any other written agreement between the Company and any Affiliate or Subsidiary and the Participant; provided, however, that in the absence of such provision, no such acceleration shall occur and any such acceleration shall be subject to the limits set forth in Section 15(b). In the event of a Change in Control, the surviving, continuing, successor, or purchasing Company or other business entity or parent thereof, as the case may be (the “Acquiror”) may, without the consent of any Participant, either assume or continue the Company’s rights and obligations under outstanding Awards or substitute for such Awards substantially equivalent awards covering the Acquiror’s stock.

(b) Limitation on Acceleration. In connection with any acceleration of vesting or change in exercisability upon or after a Change in Control, if any amount or benefit to be paid or provided under an Award or under any other agreement between a Participant and Company would be an Excess Parachute Payment (including after taking into account the value, to the maximum extent permitted by Code Section 280G, of covenants by or restrictions on Participant following the Change in Control), then the payments and benefits to be paid or provided will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will not be made if such reduction would result in a Participant receiving an After-Tax Amount less than 90% of the After-Tax Amount of the payments Participant would have received under such Awards or any other agreement without regard to this limitation. Whether requested by a Participant or the Company, the determination of whether any reduction in such payments or benefits is required pursuant to the preceding sentence, and the value to be assigned to any covenants by or restrictions on Participant, for purposes of determining the amount, if any, of the Excess Parachute Payment will be made at the expense of the Company by the Company’s independent accountants or benefits consultant. The fact that a Participant’s right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights of a Participant under any other agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this paragraph, a Participant will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this paragraph, provided, however, if any such payments and/or benefits constitute deferred compensation within the meaning of Section 409A, the following rules shall apply: first a pro rata reduction of (i) cash payments subject to Section 409A of the Code as deferred compensation and (ii) cash payments not subject to Section 409A of the Code, and second a pro rata cancellation of (x) equity-based compensation subject to Section 409A of the Code as deferred compensation and (y) equity-based compensation not subject to Section 409A of the Code. The Company will provide Participant with all information reasonably requested by Participant to permit Participant to make such designation. In the event that Participant fails to make such designation within ten business days after receiving notice from the Company of a reduction under this paragraph, the Company may effect such reduction in any manner it deems appropriate.

16. FORFEITURE FOR CAUSE.

Notwithstanding any other provision of this Plan to the contrary, if the independent members of the Board or the Independent Committee determines that a Participant has engaged in conduct which constitutes Cause, the following provisions shall apply:

(a) Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any shares of Restricted Stock, Restricted Stock Units or Performance Shares as to which the restrictions have not lapsed shall immediately and automatically be forfeited, all of the rights of the Participant to such shares or share equivalents shall immediately terminate, and any Restricted Stock shall be returned to the Company.

(b) The lapse of restrictions on or vesting of Restricted Stock, Restricted Stock Units, or Performance Shares that have vested or upon which the restrictions have lapsed within the 36-month period immediately prior to the date it is determined that the Participant engaged in conduct constituting Cause (the "Determination Date") shall be rescinded and all outstanding Awards shall be cancelled. The Participant shall deliver to the Company the Shares delivered upon vesting or lapse of restrictions if such vesting or lapse of restrictions has been rescinded and the Shares retained by the Participant.

(c) The independent members of the Board or the Independent Committee may, to the extent permitted by applicable law, rescind any Awards made to the Participant within the 36-month period immediately prior to the Determination Date.

(d) The independent members of the Board or the Independent Committee may, to the extent permitted by applicable law, recover any gains realized from the sale of vested Shares or the sale or other disposition of any Shares issued or issuable upon the exercise of an Option, in the case of any such sale or other disposition during the 36-month period immediately prior to the Determination Date.

The independent members of the Board or the Independent Committee shall determine in such body's sole discretion whether the Participant has engaged in conduct that constitutes Cause.

Any provision of this Section 16 which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section 16.

17. <u>RECOUPMENT</u>.

<u>Dodd-Frank Clawback</u>. The Committee shall full authority to implement any policies and procedures necessary to comply with Section 10D of the Exchange Act and any rules promulgated thereunder. Without limiting the foregoing, the Committee may provide in award agreements or with respect to any Award granted hereunder that, in event of a financial restatement that reduces amount of previously awarded incentive compensation that would not have been earned had results been properly reported, outstanding awards will be cancelled and Company may clawback (i.e., recapture) realized Option/Stock Appreciation Right gains and realized value for vested Restricted Stock or Restricted Stock Units or earned Performance Shares or Other Share-Based Awards within 12 months preceding financial restatement.

<u>Recoupment in the Event of Restatement</u>. Notwithstanding any other provision of this Plan to the contrary, if the Company's financial statements are the subject of a restatement due to misconduct, fraud or malfeasance, then the following shall apply:

(a) To the extent permitted by governing law, the independent members of the Board or the Independent Committee may, in its discretion, (i) rescind any Excess Equity Award or portion thereof made to an Executive Officer within the 36-month period immediately prior to the date such material restatement is first publicly disclosed and (ii) in the event that an Executive Officer has sold or otherwise disposed of some or all of the Shares subject to the Excess Equity Award, recover any gains made from the sale or other disposition of such Shares that was effected during the 36-month period immediately prior to the date such material restatement is first publicly disclosed. In no event shall the Company be required to award an Executive Officer additional equity incentive compensation should the restated financial statements result in a higher equity incentive payment.

(b) In addition to the foregoing, the independent members of the Board or the Independent Committee may, in its discretion, require that an Executive Officer pay the Company, in cash and upon demand, Option Proceeds resulting from the sale or other disposition of Shares issued or issuable upon the exercise of an Option if the sale or disposition was effected during the 36-month period immediately prior to the date such material restatement is first publicly disclosed.

Any provision of this Section 17 which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section 17.

18. <u>TERM OF PLAN</u>.

Awards may be granted pursuant to the Plan until the termination of the Plan on January 10, 2022.

19. <u>RECAPITALIZATION</u>.

Subject to any required action by the shareholders, the number of Shares covered by this Plan as provided in Section 6, the maximum grant limitation in Section 5(b), the number of Shares or Share Equivalents covered by or referenced in each outstanding Award, and the Exercise Price of each outstanding Option or Stock Appreciation Right and any price required to be paid for Restricted Stock or Other Share-Based Award shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation of Shares, the payment of a stock dividend (but only of Common Stock) or any other increase or decrease in the number of such Shares effected without receipt of consideration by the Company or the declaration of a dividend payable in cash that has a material effect on the price of issued Shares.

Subject to any required action by the shareholders, if the Company shall be a party to any merger, consolidation or other reorganization, each outstanding Award shall pertain and apply to the securities to which a holder of the number of Shares or Share Equivalents subject to the Award would have been entitled. In the event of a change in the Common Stock as presently constituted, which is limited to a change of all of its authorized shares with par value into the same number of shares with a different par value or without par value, the shares resulting from any such change shall be deemed to be the Common Stock within the meaning of the Plan.

To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive, provided that each Incentive Stock Option granted pursuant to this Plan shall not be adjusted in a manner that causes the Option to fail to continue to qualify as an incentive stock option within the meaning of Code Section 422 or subject the Option to the requirements of Code Section 409A.

Except as expressly provided in this Section 19, a Participant shall have no rights by reason of any subdivision or consolidation of shares of stock of any class or the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class or by reason of any dissolution, liquidation, merger or consolidation or spin-off of assets or stock of another Company, and any issue by the Company of shares of stock of any class or securities convertible into shares of stock of any class, shall not affect the number or price of Shares subject to the Option.

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

20. SECURITIES LAW REQUIREMENTS AND LIMITATION OF RIGHTS.

(a) Securities Law. No Shares shall be issued pursuant to the Plan unless and until the Company has determined that: (i) it and the Participant have taken all actions required to register the Shares under the Securities Act of 1933 or perfect an exemption from registration; (ii) any applicable listing requirement of any stock exchange on which the Common Stock is listed has been satisfied; and (iii) any other applicable provision of state or federal law has been satisfied.

(b) Employment Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain employed by the Company or an Affiliate or to remain a Director. The Company and its Affiliates reserve the right to terminate the employment of any employee at any time, with or without cause or for no cause, subject only to a written employment contract (if any), and the Board reserves the right to terminate a Director's membership on the Board for cause in accordance with the Company's Restated Certificate of Incorporation.

(c) Shareholders' Rights. Except as provided by the Administrator in accordance with Section 12, a Participant shall have no dividend rights, voting rights or other rights as a shareholder with respect to any Shares covered by his or her Award prior to the issuance of a stock certificate for such Shares. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date when such certificate is issued.

(d) Creditors' Rights. A holder of an Other Share-Based Award shall have no rights other than those of a general creditor of the Company. An Other Share-Based Award shall represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Other Share-Based Award Agreement. An Other Share-Based Award shall not be deemed to create a trust for the benefit of any individual.

21. BENEFICIARY DESIGNATION.

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

22. AMENDMENT OF THE PLAN.

The Board may suspend or discontinue the Plan or revise or amend it with respect to any Shares at the time not subject to Awards except that, without approval of the shareholders of the Company, no such revision or amendment shall:

(a) Increase the number of Shares subject to the Plan;

(b) Change the designation in Section 5 of the class of Employees eligible to receive Awards;

(c) Decrease the price at which Incentive Stock Options may be granted;

(d) Remove the administration of the Plan from the Administrator;

(e) Amend Section 23; or

(f) Amend this Section 22 to defeat its purpose.

Notwithstanding anything to the contrary in the Plan, the Committee may grant Awards with such terms, or create sub-plans, as may be necessary for the purpose of qualifying for preferred tax treatment under non-U.S. tax laws or complying with local rules and regulations.

23. NO AUTHORITY TO REPRICE.

Without the consent of the shareholders of the Company, except as provided in Section 19, the Administrator shall have no authority to effect (i) the repricing of any outstanding Options or Stock Appreciation Rights under the Plan, (ii) the cancellation of any outstanding Options or Stock Appreciation Rights under the Plan and the grant in substitution therefor of new Options or Stock Appreciation Rights, or of new Restricted stock or Restricted Stock Units or Other Stock-Based Awards, in any case covering the same or different numbers of shares of Common Stock that has the effect of an indirect repricing, or (iii) cashing out Options or Stock Appreciation Rights that have an Exercise Price greater than the then-Fair Market Value of the Shares.

24. NO OBLIGATION TO EXERCISE OPTION.

The granting of an Option shall impose no obligation upon the Participant to exercise such Option.

25. APPROVAL OF SHAREHOLDERS.

This Plan and any amendments requiring shareholder approval pursuant to Section 22 shall be subject to approval by affirmative vote of the shareholders of the Company. Such vote shall be taken at the first annual meeting of shareholders following the adoption of the Plan or of any such amendments, or any adjournment of such meeting.

26. WITHHOLDING TAXES.

(a) General. To the extent required by applicable law, the person exercising any Option granted under the Plan or the recipient of any payment or distribution under the Plan shall make arrangements satisfactory to the Company for the satisfaction of any applicable withholding tax obligations. The Company shall not be required to make such payment or distribution until such obligations are satisfied.

(b) Other Awards. The Administrator may permit a Participant who exercises Nonqualified Stock Options or who vests in Restricted Stock Awards, Restricted Stock Unit Awards, Performance Share Awards or, as applicable, Stock Appreciation Rights and Other Share-Based Awards, to satisfy all or part of his or her statutory minimum withholding tax obligations by having the Company withhold a portion of the Shares that otherwise would be issued to him or her under such Awards. Such Shares shall be valued at the Fair Market Value on the day preceding the day when taxes otherwise would be withheld in cash. The payment of withholding taxes by surrendering Shares to the Company, if permitted by the Administrator, shall be subject to such restrictions as the Administrator may impose, including any restrictions required by rules of the Securities and Exchange Commission.

27. SUCCESSORS AND ASSIGNS.

The Plan shall be binding upon the Company, its successors and assigns, and any parent Company of the Company's successors or assigns. Notwithstanding that the Plan may be binding upon a successor or assign by operation of law, the Company shall require any successor or assign to expressly assume and agree to be bound by the Plan in the same manner and to the same extent that the Company would be if no succession or assignment had taken place.

28. EXECUTION.

To record the adoption of the Plan as amended and restated on January 10, 2012, the Company has caused its authorized officer to execute the same.

ABM INDUSTRIES INCORPORATED

By: Senior Vice President, Human Resources

EXHIBIT 31.1

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

I, Henrik C. Slipsager, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 7, 2012

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

EXHIBIT 31.2

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

I, James S. Lusk, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

June 7, 2012

/s/ James S. Lusk
James S. Lusk
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

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

In connection with the Quarterly Report of ABM Industries Incorporated (the “Company”) for the quarter ended April 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Henrik C. Slipsager, Chief Executive Officer of the Company, and James S. Lusk, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 7, 2012

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

June 7, 2012

/s/ James S. Lusk
James S. Lusk
Chief Financial Officer
(Principal Financial Officer)