

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

FORM 10 Q

(Mark One)

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

For the quarterly period ended JANUARY 31, 2001

OR

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

For the transition period from _____ to _____.

Commission file Number 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE

94-1369354

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

160 PACIFIC AVENUE, SUITE 222, SAN FRANCISCO, CALIFORNIA 94111

(Address of principal executive offices) (Zip Code)

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

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

Yes No

Number of shares of Common Stock outstanding as of March 9, 2001: 23,756,209.

ABM INDUSTRIES INCORPORATED
FORM 10-Q
FOR THE THREE MONTHS ENDED JANUARY 31, 2001

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION	PAGE
-----	-----
Item 1 Condensed Consolidated Financial Statements.....	2
Notes to the Condensed Consolidated	
Financial Statements.....	7
Item 2 Management's Discussion and Analysis of Financial	
Condition and Results of Operations.....	9
Item 3 Qualitative and Quantitative Disclosures	
About Market Risk.....	15
PART II OTHER INFORMATION	
Item 6 Exhibits and Reports on Form 8-K.....	15

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

	OCTOBER 31, 2000	JANUARY 31, 2001
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,000	\$ 1,988
Accounts receivable, net	360,180	355,824
Inventories	25,513	26,562
Deferred income taxes	17,531	18,106
Prepaid expenses and other current assets	31,595	32,259
Total current assets	436,819	434,739
INVESTMENTS AND LONG-TERM RECEIVABLES	13,920	14,449
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land and buildings	5,212	5,222
Transportation equipment	13,127	13,379
Machinery and other equipment	73,056	75,493
Leasehold improvements	15,092	15,554
	106,487	109,648
Less accumulated depreciation and amortization	(65,753)	(69,121)
Property, plant and equipment, net	40,734	40,527
INTANGIBLE ASSETS -- NET	110,097	109,634
DEFERRED INCOME TAXES	32,537	31,647
OTHER ASSETS	7,878	7,241
Total assets	\$ 641,985	\$ 638,237

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

	OCTOBER 31, 2000	JANUARY 31, 2001

LIABILITIES AND STOCKHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 865	\$ 842
Bank overdraft	15,952	2,894
Trade accounts payable	45,312	41,934
Income taxes payable	8,083	11,633
Accrued Liabilities:		
Compensation	54,901	49,704
Taxes -- other than income	18,195	20,320
Insurance claims	43,361	42,598
Other	25,951	29,129

Total current liabilities	212,620	199,054
Long-Term Debt (less current portion)	36,811	35,811
Retirement plans	22,386	22,688
Insurance claims	47,459	46,633

Total liabilities	319,276	304,186

SERIES B 8% SENIOR REDEEMABLE CUMULATIVE PREFERRED STOCK	6,400	6,400
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 500,000 shares authorized; none issued	--	--
Common stock, \$.01 par value, 100,000,000 shares authorized; 22,999,000 and 23,379,000 shares issued and outstanding at October 31, 2000 and January 31, 2001, respectively	230	234
Additional capital	102,902	109,806
Accumulated other comprehensive income	(653)	(653)
Retained earnings	213,830	218,264

Total stockholders' equity	316,309	327,651

	\$ 641,985	\$ 638,237
=====		

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND 2001
 (In thousands except per share amounts)

	2000	2001
REVENUES AND OTHER INCOME	\$428,581	\$470,419
EXPENSES:		
Operating expenses and cost of goods sold	375,698	413,081
Selling, general and administrative	39,485	42,647
Interest	641	913
Total expenses	415,824	456,641
INCOME BEFORE INCOME TAXES	12,757	13,778
INCOME TAXES	5,230	5,374
NET INCOME	\$ 7,527	\$ 8,404
NET INCOME PER COMMON SHARE		
Basic	\$ 0.33	\$ 0.36
Diluted	\$ 0.32	\$ 0.34
AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	22,261	23,142
Diluted	23,209	24,458
DIVIDENDS PER COMMON SHARE	\$ 0.155	\$ 0.165

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND 2001
 (In thousands)

	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 428,887	\$ 473,491
Other operating cash receipts	604	747
Interest received	148	135
Cash paid to suppliers and employees	(413,109)	(454,619)
Interest paid	(666)	(870)
Income taxes paid	(268)	(1,508)
Net cash provided by operating activities	15,596	17,376
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(3,546)	(3,478)
Proceeds from sale of assets	249	253
Increase in investments and long-term receivable	(778)	(529)
Intangible assets acquired	(3,446)	(824)
Net cash used in investing activities	(7,521)	(4,578)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued, including tax benefit	3,872	5,242
Common stock repurchased	(8,390)	0
Dividends paid	(3,586)	(3,971)
Decrease in cash overdraft	(644)	(13,058)
Long-term borrowings	35,000	27,000
Repayments of long-term borrowings	(34,268)	(28,023)
Net cash used in financing activities	(8,016)	(12,810)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59	(12)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	2,139	2,000
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 2,198	\$ 1,988

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED JANUARY 31, 2000 AND 2001
 (In thousands)

	2000	2001
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$ 7,527	\$ 8,404
Adjustments:		
Depreciation	2,837	3,475
Amortization	2,701	2,953
Provision for bad debts	682	866
Gain on sale of assets	(90)	(43)
(Increase) decrease in deferred income taxes	(1,892)	316
Decrease in accounts receivable	1,148	3,490
Increase in inventories	(1,928)	(1,049)
Increase in prepaid expenses and other current assets	(3,568)	(664)
Decrease in other assets	887	637
Increase in income taxes payable	6,854	3,550
Increase in retirement plans accrual	1,080	302
Increase (decrease) in insurance claims liability	531	(1,589)
Decrease in trade accounts payable and other accrued liabilities	(1,173)	(3,272)
Total adjustments to net income	8,069	8,972
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 15,596	\$ 17,376
SUPPLEMENTAL DATA:		
Non-cash investing activities:		
Common stock issued for net assets of business acquired	\$ 1,581	\$ 1,666

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments which are necessary to present fairly ABM Industries Incorporated (the Company) financial position as of January 31, 2001, and the results of operations and cash flows for the three months then ended. These adjustments are of a normal, recurring nature.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Form 10-K filed for the fiscal year ended October 31, 2000, with the Securities and Exchange Commission.

2. NET INCOME PER COMMON SHARE

The Company has reported its earnings in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. Basic net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares actually outstanding during the period. Diluted net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares outstanding during the period, including dilutive securities equivalents.

	THREE MONTHS ENDED JANUARY 31,	
	2000	2001
	-----	-----
Net Income	\$ 7,527,000	\$ 8,404,000
Preferred Stock Dividends	(128,000)	(128,000)
	-----	-----
	\$ 7,399,000	\$ 8,276,000
	=====	=====
Common shares outstanding -- basic	22,261,000	23,142,000
Effect of dilutive securities:		
Stock options	825,000	1,256,000
Other	123,000	60,000
	-----	-----
Common shares outstanding -- diluted	23,209,000	24,458,000
	=====	=====

For purposes of computing diluted net income per common share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period. For the three months ended January 31, 2001, options to purchase approximately 887,000 shares of common stock at an average price of \$32.61 were excluded from the computation. For the three months ended January 31, 2000, options to purchase approximately 1,237,000 shares of common stock at an average price of \$30.97 were excluded from the computation.

3. COMPREHENSIVE INCOME

Other comprehensive income at October 31, 2000 and January 31, 2001 consists of foreign currency translation adjustments. Comprehensive income for the three-month period ended January 31, 2001 approximated net income.

4. SEGMENT INFORMATION

The Company's operations are grouped into nine industry segments or divisions as defined under Statement of Financial Accounting Standards (SFAS) No. 131. The results of operations from the Company's five operating divisions that are reportable under SFAS No. 131 for the three months ended January 31, 2001, as compared to the three months ended January 31, 2000, are more fully described below. Included in all other divisions are ABM Service Network, American Commercial Security Services, CommAir Mechanical Services, and Easterday Janitorial Supply Company.

THREE MONTHS ENDED JANUARY 31,

	2000	2001
	(in thousands)	
Revenues:		
ABM Janitorial Services	\$ 250,970	\$ 276,951
Ampco System Parking	39,876	42,862
ABM Engineering Services	39,133	42,774
Amtech Lighting Services	26,841	31,527
Amtech Elevator Services	25,492	28,389
All Other Divisions	46,181	47,802
Corporate	88	114
	-----	-----
Total Revenues	\$ 428,581	\$ 470,419
	=====	=====
Operating Profit:		
ABM Janitorial Services	\$ 10,628	\$ 11,828
Ampco System Parking	1,700	1,346
ABM Engineering Services	1,887	2,288
Amtech Lighting Services	1,623	2,069
Amtech Elevator Services	1,136	1,265
All Other Divisions	862	1,377
Corporate	(4,438)	(5,482)
	-----	-----
Total Operating Profit	\$ 13,398	\$ 14,691
	=====	=====

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

FINANCIAL CONDITION

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. The Company has an unsecured revolving credit agreement with a syndicate of U.S. banks that provides a \$150 million line of credit expiring July 1, 2002. At the Company's option, the credit facility provides interest at the prime rate or IBOR+.35%. As of January 31, 2001, the total amount outstanding was approximately \$105 million, which was comprised of loans in the amount of \$34 million and standby letters of credit of \$71 million. This agreement requires the Company to meet certain financial ratios, places some limitations on outside borrowing and prohibits declaring or paying cash dividends exceeding 50% of the Company's net income for any

fiscal year. In addition, the Company has a loan agreement with a major U.S. bank with a balance of \$2.6 million at January 31, 2001. This loan bears interest at a fixed rate of 6.78% with annual payments of principal, in varying amounts, and interest due each February 15 through 2003. The Company's effective interest rate for all long-term debt borrowings for the three months ended January 31, 2001 was 7.6%.

At January 31, 2001, working capital was \$235.7 million, as compared to \$224.2 million at October 31, 2000.

During the three months ended January 31, 2001, net cash provided by operating activities amounted to \$17.4 million, compared to \$15.6 million in the same period of 2000.

Net cash used in investing activities of \$4.6 million in the three months ended January 31, 2001, was less than the \$7.5 million used in the same period of the prior year reflecting reduced acquisition payments in the first quarter of 2001, whereas net cash used in financing activities of \$12.8 million in the first quarter of 2001 was greater than the \$8.0 million used in the first quarter of the prior year.

ENVIRONMENTAL MATTERS

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

The Company is currently involved in three proceedings relating to environmental matters: one involving alleged potential soil and groundwater contamination at a Company facility in Florida; one involving alleged potential soil contamination at a former Company facility in Arizona; and one involving alleged potential soil and groundwater contamination at a former dry-cleaning facility leased by the Company in Nevada. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management

believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's financial position, cash flows, or its results of operations.

ACQUISITIONS

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

Effective February 1, 2001, the Company acquired the operations and selected assets of Arcade Cleaning L.P., a janitorial services company, with customers located in the Northeast and Midwest regions. The terms included a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years. This acquisition was accounted for under the purchase method of accounting.

RESULTS OF OPERATIONS

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

THREE MONTHS ENDED JANUARY 31, 2001 VS. THREE MONTHS ENDED JANUARY 31, 2000

The Company reported record first quarter revenues and earnings for the three months ended January 31, 2001. Revenues and other income (hereafter called revenues) for the first quarter of 2001 were \$470 million compared to \$429 million for the first quarter of 2000. The increase in revenues was due to new business and price increases particularly in the Janitorial Division, which contributed nearly \$26 million or 62% of the total increase. For the quarter ended January 31, 2001, revenues from acquisitions made during the prior fiscal year were approximately \$6 million, or approximately 15% of the total revenue increase of \$42 million.

As a percentage of revenues, operating expenses and cost of goods sold were 87.8% for the first quarter of 2001, compared to 87.7% for the first quarter of 2000. Consequently, as a

percentage of revenues, the Company's gross profit (revenue minus operating expenses and cost of goods sold) of 12.2% in the first quarter of 2001 was slightly lower than the gross profit of 12.3% for the first quarter of 2000. The decrease in the gross profit margin was due primarily to increased labor related and insurance expense and decreased profits at Ampco System Parking.

Selling, general and administrative expenses for the first quarter of 2001 were \$42.6 million compared to \$39.5 million for the corresponding three months of 2000. The absolute increase in selling, general and administrative expenses of \$3.1 million for the three months ended January 31, 2001, compared to the same period in 2000, is primarily due to salaries and expenses associated with acquisitions including amortization of goodwill, and costs associated with the implementation of a new accounting system. These cost increases were offset by decreased profit sharing expense in the first quarter of 2001. As a percentage of revenues, selling, general and administrative expenses decreased slightly to 9.1% for the three months ended January 31, 2001, from 9.2% for the same period in 2000.

Interest expense was \$913,000 for the first quarter of 2001 compared to \$641,000 for the same period in 2000, an increase of \$272,000. This increase was primarily due to higher weighted average borrowings during the first quarter of 2001.

The pre-tax income for the first quarter of 2001 was \$13.8 million compared to \$12.8 million in the same quarter of 2000, an increase of 8%.

The estimated effective income tax rate for the first quarter of 2001 was 39% compared to 41% for the first quarter of 2000. The lower tax rate was mostly due to a significant increase in estimated federal tax credits and slightly lower effective state income tax rates.

Net income for the first quarter of 2001 was \$8.4 million, an increase of 12% from the net income of \$7.5 million for the first quarter of 2000. Diluted net income per common share rose 6% to 34 cents for the first quarter of 2001 compared to 32 cents for the same period in 2000. The net income per share calculation for the first quarter of 2001 includes an increase in actual and equivalent shares outstanding.

SEGMENT INFORMATION

Revenues for ABM Janitorial Services (also known as American Building Maintenance) increased by 10.4% during the first quarter of 2001 as compared to the same quarter of 2000 as a result of increased business nationwide and, to a lesser extent, the acquisition of Allied Maintenance Services, Inc. in Hawaii on March 1, 2000. This Division's operating profits increased 11.3% during the first quarter of 2001 when compared to the same period last year. The increase in operating profits is higher than the increase in revenues primarily because of slightly lower selling, general and administrative costs as a percentage of sales.

Ampco System Parking (also known as Ampco System Airport Parking and Ampco Express Airport Parking) revenues increased by 7.5% while its operating profits decreased 20.8% during the first quarter of 2001 compared to the first quarter of 2000. The increase in revenues was primarily due to newly acquired parking contracts in California and Seattle, Washington, along with revenue growth of its off-airport parking operations. The decrease in operating profits resulted from substantially higher insurance charges in the State of California and increased costs in the airport operations, as well as start-up costs associated with several new contracts.

ABM Engineering Services' revenues increased by 9.3% while its operating profits increased 21.3% for the first quarter of 2001 compared to the same period in 2000. The higher revenues reflect new business in Northern and Southern California offset by decreases in the Midwest. The increase in operating profits is due to improved margins on its new and existing business.

Amtech Lighting Services (also known as Sica Lighting & Electrical Services in the Northeast) reported a 17.5% revenue increase and a 27.5% operating profits increase during the first quarter of 2001 compared to the same quarter of the prior year. The increase in revenues was primarily due to increased business in its Northeast, Southwest and Texas regions. The acquisition in Alabama on January 1, 2000, contributed to the Southeast growth. Profit margins on revenues increased between quarters due to a reduction in labor and material costs as a percentage of sales.

Revenues and operating profits for Amtech Elevator Services increased by 11.4% in the first quarter of 2001 compared to the same period in 2000 primarily due to new work secured in Atlanta, Chicago, Denver and Detroit.

SAFE HARBOR STATEMENT

Cautionary Safe Harbor Disclosure for Forward Looking Statements under the Private Securities Litigation Reform Act of 1995: Because of the factors set forth below, as well as other variables affecting the Company's operating results, past financial performance, should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. The statements contained herein which are not historical facts are forward-looking statements that are subject to meaningful risks and uncertainties, including but not limited to: (1) significant decreases in commercial real estate occupancy, resulting in reduced demand and prices for building maintenance and other facility services in the Company's major markets, (2) loss or bankruptcy of one or more of the Company's major customers, which could adversely affect the Company's ability to collect its accounts receivable or recover its deferred costs, (3) major collective bargaining issues that may cause loss of revenues or cost increases that non-union companies can use to their advantage in gaining market share, (4) significant shortfalls in adding additional customers in existing and new territories and markets, (5) a protracted slowdown in the Company's acquisition program, (6) legislation or other governmental action that severely impacts one or more of the Company's lines of business, such as price controls that could restrict price increases, or the unrecovered cost of any universal employer-paid health insurance, as well as government investigations that adversely affect the Company, (7) reduction or revocation of the Company's line of credit, which would increase interest expense or the cost of capital, (8) cancellation or nonrenewal of the Company's primary insurance policies, as many customers contract out services based on the contractor's ability to provide adequate insurance coverage and limits, (9) catastrophic uninsured or underinsured claims against the Company, the inability of the Company's insurance carriers to pay otherwise insured claims, or inadequacy in the Company's reserve for self-insured claims, (10) inability to employ entry level personnel due to labor shortages, (11) resignation, termination, death or disability of one or more of the Company's key executives, which could adversely affect customer retention and day-to-day management of the Company, and (12) other material factors that are disclosed from time to time in the Company's public filings with the United States Securities and Exchange Commission, such as reports on Forms 8-K, 10-K and 10-Q.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, as such, are not subject to material foreign currency exchange rate risk. Although the Company has outstanding debt and related interest expense, market risk in interest rate exposure in the United States is currently not material.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- | | | |
|---------------|---|---|
| Exhibit 10.58 | - | Corporate Executive Employment Agreement with Henrik C. Slipsager |
| Exhibit 10.59 | - | Employee Stock Purchase Plan (as amended through May 1, 2000) |

(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended January 31, 2001.

SIGNATURES

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

ABM Industries Incorporated

March 16, 2001

/s/ David H. Hebble

Senior Vice President and
Chief Financial Officer,
Principal Financial Officer

EXHIBIT INDEX

NUMBER -----	DESCRIPTION -----
Exhibit 10.58	Corporate Executive Employment Agreement with Henrik C. Slipsager
Exhibit 10.59	Employee Stock Purchase Plan (as amended through May 1, 2000)

CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT

THIS CORPORATE EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of November 1, 2000 by and between HENRIK C. SLIPSAGER ("Executive"), and ABM INDUSTRIES INCORPORATED ("Company") for itself and on behalf of its subsidiary corporations as applicable herein.

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

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

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

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

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

NOW THEREFORE, Executive and Company agree as follows:

- A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
- B. TITLE: Executive's title shall be President & Chief Executive Officer of Company.
- C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Board of Directors of Company, to whom Executive shall report and be accountable.
- D. TERM OF AGREEMENT: Employment hereunder shall commence on November 1, 2000 for a term of three (3) years ("Initial Term"), unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term").
- E. PRINCIPAL OFFICE: During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at a Company office located in the County of San Francisco ("County of Employment"), California ("State of Employment").
- F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
 - 1. SALARY: A base salary paid in equal installments of no less frequently than semi-monthly at the annual rate set forth in Paragraph X.1 hereof.
 - 2. BONUS: A bonus or other incentive or contingent compensation, if any, pursuant to Paragraph X.2 hereof, and the bonus set forth in Paragraph X.4, hereof.
 - 3. FRINGE BENEFITS: The then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation, and a service award.

benefit. Each of these fringe benefits is subject to the applicable Company policy at all times. Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

- G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person(s) with the title set forth in Paragraph C hereof, upon presentation to such person(s) by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in excess of Twenty-Five Dollars (\$25) each.
- H. BUSINESS CONDUCT: Executive shall make reasonable best efforts to comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, procedures and instructions of Company, including but not limited to the following:
1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company.
 2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company, and shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five percent (5%) of any such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of such ownership in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).
 3. VERACITY: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.
 4. DRIVER'S LICENSE: Executive shall have and carry a valid driver's license issued by the State of Employment hereunder and a driver's permit issued by the Company whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.
- I. NO CONFLICT: Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement or disclosing information about any previous employer or any other business to Company, or might otherwise interfere with Executive's employment hereunder.
- J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies and documents. Such documents may include, but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive

specifically acknowledges that all such documents are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.

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

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

L. **RESTRICTIVE COVENANTS:** In recognition of Paragraph K hereof, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter for as long as it shall be enforceable:

1. Except in the proper performance of this Agreement, Executive shall not directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company.
2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.
3. Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.
4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any site-specific customer account or site-specific sales prospect with which Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.
5. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

M. **MODIFICATION OF EMPLOYMENT:** At any time during the then current Initial or Extended Term, as applicable, of this Agreement, a majority of the Board of Directors of

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

1. Upon commencement of the Modification Period: (a) Executive shall immediately resign as a full-time employee of Company and as an officer and/or director of Company, as applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof, and (c) Company shall pay Executive all previously earned and vested but as yet unpaid, salary, prorated bonus or other contingent compensation, reimbursement of business expenses and fringe benefits.
2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F.1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the persons with the title set forth in Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph 0.2 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the persons with the title set forth in Paragraph C hereof.
3. The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph 0.2 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (d) expiration of the then current Term of this Agreement.

- N. EXTENSION OF EMPLOYMENT: Absent at least ninety (90) days written Notice of Termination from either party to the other party prior to expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of three (3) years, by which Executive and Company intend that all terms and conditions of this Agreement shall remain in full force and effect for another thirty-six (36) months, except that the highest base salary specified in Paragraph X.1.a shall be increased annually as set forth in Paragraph X.1.b for each year of the Extended Term. Company has the option, without terminating this Agreement or Executive's employment hereunder, of placing Executive on a leave of absence at the full

compensation set forth in Paragraph F hereof for any or all of such ninety (90) day period in lieu of the aforementioned Notice of Termination.

O. TERMINATION OF EMPLOYMENT:

1. a. Termination of employment at the expiration of the then current Initial or Extended Term shall be effective with or without cause.
 - b. Except as provided in Paragraph 0.1.a, the Company shall have the right to terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any theft or other dishonesty, or any material: (i) neglect of employment duties, (ii) inability or unwillingness to perform employment duties, (iii) insubordination, (iv) abuse of alcohol or other drugs, (v) breach of this Agreement; or for (vi) other misconduct, unethical or unlawful activity.
 - c. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, with or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.
2. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay when due to Executive or his estate, as applicable, all prorated salary, bonus or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.
 3. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer and/or director of Company, as applicable. Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid, salary, bonus or other contingent compensation, reimbursement of business expenses and fringe benefits.
 4. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other incentive or contingent compensation from Company based on any sales or profits made by Company after termination of employment hereunder.

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

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph R hereof (which, at Company's option, shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by mandatory, final, binding

arbitration in accordance with the rules of the American Arbitration Association; provided, however, that no party shall be entitled to an award of general or punitive damages hereunder.

2. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the County of Employment. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened material breach of Paragraph L hereof, the damage or imminent damage to the value of Company's business shall be inestimable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.
2. Executive agrees that the actual amount of damages resulting from any material breach of any of the provisions of Paragraph L hereof would be impractical or impossible to ascertain. It is therefore agreed that the damages resulting from any such breach which involves any customer of Company shall be liquidated damages, not a penalty, in an amount equal to four (4) times the lost monthly revenue to the Company based on the average monthly revenue which was payable by that customer to Company during the four (4) months immediately preceding such breach. This provision for liquidated damages is in addition to any other relief available to Company pursuant to this Agreement or under law.
3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from Executive's compensation and from any other funds held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

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

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

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

V. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who

hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

W. NOTICES:

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

EXECUTIVE: HENRIK C. SLIPSAGER
17 Stratton Road
Purchase, NY 10577

COMPANY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chairman of the Board

COPY: ABM INDUSTRIES INCORPORATED
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

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

X. SPECIAL PROVISIONS:

1. SALARY:

- a. Six Hundred Fifty Thousand Dollars (\$650,000) per year effective 11/1/00 through 10/31/2001 at the monthly rate of \$54,166.67 payable semi-monthly.
- b. Effective 11/1/01 through 10/31/02, and for each year of the then current Initial or Extended Term of this Agreement, as applicable, the Salary in Paragraph X.1a will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a (6%) maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the ACA fiscal year ending on the June 30th immediately preceding the effective date of the proposed increase hereunder. Notwithstanding the foregoing, there shall be no annual increase in Salary for any such year unless the Company's earning per share ("EPS") for the fiscal year of the Company (commencing November 1, and ending October 31st) ("Fiscal Year") then ending are equal to or greater than the Company's EPS for the previous Fiscal Year. There shall be no downward adjustment in salary in the event the ACA Index shows a decrease from the prior Fiscal Year.

2. BONUS: Subject to proration in the event of modification or termination of employment hereunder and further subject to the potential prospective re-set provisions set forth in Paragraph X.2.c, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each Fiscal Year, or partial Fiscal Year, of employment hereunder during the Term, and during the Extended Term, if any, of this Agreement:

- a. Such Bonus for each Fiscal Year shall be: (i) 0.1298% of the Company's Profit, plus (ii) 1.2117% of the amount of any increase in the Company's Profit over the previous Fiscal Years Profit, all on a pro-rata basis.
 - b. Profit is defined as the consolidated income before income taxes of Company, excluding: (i) gains or losses on sales or exchanges of real property or on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company, (ii) gains or losses on the discontinuation of any business unit of Company, and (iii) the discretionary portion of any contributions made to any profit sharing, service award, employee retirement or savings or similar plan.
 - c. Subject to proration in the event of modification or termination of employment under this Agreement, and further subject to a re-set in the event Executive's Bonus for any Fiscal Year has been limited as hereinafter provided, Executive's maximum Bonus for each Fiscal Year shall be one hundred percent (100%) the Salary for that year set forth in Paragraph X.1 herein. If, however, in any completed Fiscal Year, the Bonus which might have been earned by Executive for that year exceeds said one hundred percent (100%) maximum, Executive's Salary and Bonus for the next year shall be re-computed as follows: (i) notwithstanding the six percent (6%) maximum set forth hereinabove, the Salary set forth in Paragraph X.1 shall be adjusted to equal seventy-five percent (75%) of the prior Fiscal Year's combined Salary and Bonus, plus an amount equal to the increase, if any, set forth in Paragraph X.1 based upon said ACA Index; and (ii) the Bonus percentage set forth in Paragraph X.2.a shall be adjusted by multiplying the prior Fiscal Year's combined Salary and Bonus by twenty-five percent (25%), and dividing that product by the actual Profit earned in the prior Fiscal Year.
 - d. Executive shall have the right to obtain an advance against such Bonus at the end of each month of each Fiscal Year in an amount equal to fifty percent (50% of, or 0.5 times) the projected amount of such Bonus based on the Profit at that time.
 - e. The independent public accounting firm for the Company shall determine the Profit and Bonus for each Fiscal Year. Company shall pay Executive the Bonus for the Fiscal Year (or the balance thereof after any advances) when such accounting firm has made such determination, but no later than ninety (90) days after the end of each Fiscal Year. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Bonus is payable. Absent bad faith or material error, the conclusions of such accounting firm or department with respect to the amounts of the Profits and Bonuses shall be conclusive upon Executive and Company.
 - f. Notwithstanding the foregoing, no Bonus for any Fiscal Year of the Company shall be payable unless the Company's net income per share for the Fiscal Year then ending is equal to or greater than eighty percent (80%) of the Company's net income per share for the previous Fiscal Year of the Company.
3. POST-EMPLOYMENT CONSULTANCY: After Executive's retirement, resignation and/or termination from employment with Company, but commencing no earlier than what is or would have been Executive's sixty-fifth (65th) birthday and concluding no later than ten (10) years thereafter ("Consultancy Period"), Company shall pay to Executive consulting fees ("Consulting Fees") of:

- a. 120 equal monthly installments accrued at 1/120th of \$120,000 for each month of employment completed by Executive from January 1, 1997 through December 31, 2006; plus
 - b. 120 equal monthly installments accrued at 1/60th of \$30,000 for each month of employment completed by Executive from March 1, 1998 through February 29, 2003; plus
 - c. 120 equal monthly installments accrued at 1/60th of \$850,000 for each month of employment completed by Executive from November 1, 2000 through October 31, 2005.
 - d. The total amount of all such Consulting Fees shall not exceed One Million Dollars (\$1,000,000).
 - e. During the Consultancy Period, the Company shall provide Executive and his spouse with reimbursement for dental coverage comparable to that provided to other Company executive officers together with the coverage commonly known as Medicare Supplement or Medigap Insurance to supplement Medicare coverage furnished by the federal government to retirees; provided however that Executive and his spouse shall pay Company the then current premium contribution charged by Company to its executive officers for their medical and dental coverage, and Company's cost of such reimbursement shall not exceed a combined amount of \$10,000 in any Fiscal Year for Executive and his spouse, or \$5,000 in the event of the death of either.
 - (i) During the Consultancy Period: (a) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person with the title set forth in Paragraph C hereof, except that failure to render such services by reason of death or disability, or unavailability because of absence from the County of Employment, shall not affect Executive's right to receive such Consulting Fees, (b) Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with such services requested by the persons with the title set forth in Paragraph C hereof, upon presentation to that person by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, receipts for all such expenses in excess of Twenty-Five Dollars (\$25) each, (c) Company shall pay Executive's Consulting Fees pursuant to this Paragraph X.3 herein, (d) Executive shall not be eligible or entitled to receive or participate in any other of the Company's then current fringe benefits, and (e) Executive shall be deemed an independent contractor and not an employee of Company.
 - (ii) If Executive dies before receiving any or all payments to Executive of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Executive's estate or trust continuing or commencing from the month in which Executive would have reached Executive's sixty-fifth (65th) birthday.
4. SPECIAL BONUS: On or before January 2, 2001, Company shall pay to Executive a special, one-time "signing" bonus in the amount of Fifty Thousand Dollars (\$50,000).
- Y. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, I, J, K, L., M, N, O.3, O.4, Q, R and Z in this Agreement shall include Company, its affiliated and its subsidiary corporations.

- Z. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.
 - 1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
 - 2. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all applicable provisions of Company's Guidelines For Corporate Approval and its Personnel Policy & Procedures Manual, including but not limited to, the termination, discipline and discharge provisions contained therein. Said Guidelines and Manual are not an Agreement between Executive and Company, nor shall they be binding on either party. The purpose and intent of said Guidelines and Manual are only to suggest guidance for Company managers to apply as they see fit on a case by case basis.
- ZZ. FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, and that they are voluntarily entering into this Agreement with full knowledge of the benefits and burdens, and the risks and rewards, contained herein.

IN WITNESS WHEREOF, Executive and Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ Henrik C. Slipsager

Date: September 5, 2000

COMPANY: By: Martinn Mandles

Date: September 5, 2000

Signature: /s/ Martinn Mandles

Title: Chairman/CAO

ABM INDUSTRIES INCORPORATED
EMPLOYEE STOCK PURCHASE PLAN
(As amended through May 1, 2000)

The purpose of this Employee Stock Purchase Plan (the "Plan") is to provide employees the opportunity to purchase Common Stock of ABM Industries Incorporated through annual offerings. An aggregate of 7,400,000 shares of such stock may be issued under the Plan (the "Shares").

1. **ELIGIBILITY.** Only employees of ABM Industries Incorporated (the "Corporation") and its subsidiary corporations will be eligible to participate in the Plan. All such employees will be eligible to participate, except employees who own or hold options to purchase or who, as a result of participation in this Plan, would own or hold options to purchase, stock of the Corporation representing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Corporation and any current or future parent and/or subsidiary corporation(s) of the Corporation. An employee shall be considered as owning stock owned, directly or indirectly, by or for his or her other brothers and sisters, spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. Stock which an employee may purchase under outstanding options shall be treated as stock owned by the employee.
2. **OFFERINGS.** The Plan shall be implemented by granting eligible employees the right to purchase Shares (an "Offering") during offering periods of one (1) year duration (each such period being referred to herein as an "Offering Period") commencing at such times as the Corporation shall determine. The first day during an Offering Period shall be the "Offering Date" for such Offering Period.
3. **PARTICIPATION.** An employee eligible on the Offering Date of any Offering may participate in such Offering by completing and forwarding a Payroll Deduction Authorization for Purchase of ABM Stock form ("Payroll Deduction Authorization Form") and such other forms as may be necessary to effect the operation of the Plan to the Payroll Department at such employee's branch location on or before the Offering Date. The form will authorize a regular payroll deduction from the employee's compensation. Unless otherwise indicated, a participating employee shall automatically participate in the first Offering which commences immediately after the expiration of each Offering in which such employee acquires Shares upon expiration of the standard one (1) year Offering Period. A participating employee is not required to file an additional Payroll Deduction Authorization Form in order to automatically participate therein.

Unless otherwise indicated in an additional Payroll Deduction Authorization Form, the rate at which payroll deductions shall be accumulated with respect to any such subsequent Offering shall equal the rate applicable to the previously expired Offering.

4. DEDUCTIONS. The Corporation will maintain payroll deduction accounts for all participating employees. With respect to any Offering made under this Plan, an employee may authorize a payroll deduction up to a maximum of 10% of the compensation he or she receives during the Offering Period specified for the Offering (or during such portion thereof as he or she may elect to participate). As a minimum, an employee must authorize a payroll deduction of at least 1% of compensation.
5. DEDUCTION CHANGES. An employee may at any time increase or decrease his or her payroll deduction by filing a new Payroll Deduction Authorization Form. The change will become effective for the next pay period after receipt of the form. A payroll deduction may be increased only once and reduced only once during any Offering Period. An employee will be deemed to have withdrawn from an Offering if such employee reduces the payroll deduction amount to below 1% of compensation.
6. CANCELLATION OF ENROLLMENT. An employee may at any time and for any reason cancel his or her enrollment in the Plan, and thereby withdraw from participation in an Offering. If this occurs, he or she may not participate in the Plan during the remainder of the Offering Period specified for the Offering. Any unused funds will be returned to the employee as soon as administratively feasible following such cancellation.
7. PURCHASE OF SHARES. Each employee participating in any Offering under this Plan will be granted, upon the Offering Date of such Offering, a right to purchase as many Shares as he or she may elect to purchase for up to 10% of compensation received during the specified Offering Period to be paid by payroll deductions during such period, provided that the maximum number of Shares which may be purchased in any Offering shall be equal to the number obtained by dividing the employee's annual compensation on the Offering Date of such Offering by the fair market value of one Share on the Offering Date of such Offering. Purchases shall occur as of the last trading day of each calendar month during the Offering.

The purchase price for each Share purchased under any Offering will be the lesser of:

- (a) 85% of the fair market value of one Share on the Offering Date of such Offering (the "Offering Price"), or
- (b) 85% of the fair market value of one Share on the day on which the right to purchase is exercised and the Shares are purchased pursuant to the terms of this Plan (the "Alternate Offering Price").

Payroll deductions may be made under each Offering to the extent authorized by the employee, subject to the maximum limitation imposed for each such Offering.

A participating employee may not purchase shares under any Offering beyond 12 months from the Offering Date thereof.

8. LIMITATION TO PURCHASE OF SHARES. Anything contained in this Plan notwithstanding, no employee may be granted a right to purchase which permits such employee's rights to purchase stock under all employee stock purchase plans of the

Corporation and its parent and subsidiary corporations to accrue at a rate which exceeds \$25,000 of fair market value of such stock (determined at the time such right to purchase is granted) for each calendar year in which such right to purchase is outstanding at any time. For this purpose (a) the right to purchase stock accrues when such right (or any portion thereof) first becomes exercisable during the calendar year; (b) the right to purchase stock accrues at the rate provided in the Offering, but in no case may such rate exceed \$25,000 of fair market value of such stock (determined at the time such right to purchase is granted) for any one calendar year; and (c) a right to purchase which has accrued under one Offering may not be carried over to any other Offering.

9. REGISTRATION OF STOCK OWNERSHIP. As of each date on which a participant's contributions are used to buy shares, the Shares and fractional Shares shall be held in the street name of the broker administering the Plan and registered in an account attributable to that participant's contributions.

10. DEFINITIONS.

"Fair Market Value" means the average of the high and low prices of the Corporation's common stock composite transactions on the New York Stock Exchange on a given day, or if no sales were made on that day, the average of the high and low prices on the next preceding day on which sales are made.

"Parent corporation" means a corporation described in Section 424(e) of the Internal Revenue Code of 1986, as amended (the "Code").

"Subsidiary corporation" means a corporation described in Section 424(f) of the Code. The Plan is intended to be an "employee stock purchase plan" as defined in Section 423 of the Code and its provisions shall be interpreted in a manner consistent with this intent.

11. RIGHTS AS A STOCKHOLDER. None of the rights or privileges of a stockholder of the Corporation shall exist with respect to Shares purchased under this Plan unless and until such Shares are duly registered in the account established by the broker administering the plan and holding the Shares attributable to the participant's contributions.

12. RIGHTS ON RETIREMENT, DEATH OR TERMINATION OF EMPLOYMENT. In the event of a participating employee's retirement, death, or termination of employment, no payroll deduction shall be taken from any pay due and owing to him or her at such time.

13. RIGHTS NOT TRANSFERABLE. Rights granted under this Plan are not transferable by a participating employee other than by will or the laws of descent and distribution, and are exercisable during his or her lifetime only.

14. APPLICATION OF FUNDS. Funds received or held by the Corporation under this Plan may be used for any corporate purpose.

15. ADJUSTMENT IN CASE OF CHANGES AFFECTING THE STOCK. In the event of a subdivision of outstanding shares, or the payment of a stock dividend, the number of shares

reserved or authorized to be reserved under this Plan, including shares covered by outstanding grants to participating employees, shall be increased proportionately, and the Offering Price for each participant at such time reduced proportionately, and such other adjustment shall be made as may be deemed equitable by the Board of Directors to give proper effect to such event.

16. AMENDMENT OF THE PLAN. The Board of Directors may at any time, or from time to time, amend this Plan in any respect, except that, to the extent required to maintain this Plan's qualification under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, any such amendment shall be subject to stockholder approval.

17. TERMINATION OF THE PLAN. This Plan and all rights of employees under any Offering hereunder shall terminate:

(a) on the day that participating employees become entitled to purchase a number of Shares equal to or greater than the number of Shares remaining available for purchase. If the number of Shares so purchasable is greater than the Shares available, Shares shall be allocated on a pro rata basis among such participating employees; or

(b) at any time, at the discretion of the Board of Directors of the Corporation.

Upon termination of this Plan, all amounts in the accounts of participating employees shall be promptly refunded.

18. ADMINISTRATION. The Plan will be administered by the Officer Compensation & Stock Option Committee of the Board of Directors. The Committee will have authority to make rules and regulations for the administration of the Plan. Its interpretations and decisions with regard thereto shall be final and conclusive.

19. GOVERNMENTAL REGULATIONS. The Corporation's obligation to sell and deliver its Common Stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such stock.