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

FORM 10-Q

(Mark One)

☑	**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2006**
o	**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 of Incorporation)	(I.R.S. Employer Identification No.)

160 Pacific Avenue, Suite 222, San Francisco, California 94111
(Address of principal executive offices)(Zip Code)

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

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

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

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

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

Number of shares of common stock outstanding as of August 31, 2006: 48,967,212.

ABM INDUSTRIES INCORPORATED
FORM 10-Q
For the three and nine months ended July 31, 2006

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	July 31, 2006	October 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 51,540	$ 56,793
Trade accounts receivable	377,190	353,036
Less: Allowances	(8,287)	(7,932)
Accounts receivable, net	368,903	345,104
Inventories	21,617	21,280
Deferred income taxes	44,668	46,795
Prepaid expenses and other current assets	47,914	44,690
Prepaid income taxes	—	6,791
Total current assets	534,642	521,453
Investments and long-term receivables	14,566	12,955
Property, plant and equipment, at cost		
Land and buildings	4,030	4,624
Transportation equipment	14,461	14,119
Machinery and other equipment	86,220	79,406
Leasehold improvements	18,112	16,491
	122,823	114,640
Less accumulated depreciation and amortization	(89,393)	(80,370)
Property, plant and equipment, net	33,430	34,270
Goodwill, net of accumulated amortization	247,869	243,559
Other intangibles, at cost	38,973	37,941
Less accumulated amortization	(14,214)	(13,478)
Other intangibles, net	24,759	24,463
Deferred income taxes	45,034	46,426
Other assets	20,474	20,584
Total assets	$920,774	$903,710

(Continued)

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ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	July 31, 2006	October 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 52,388	$ 47,605
Income taxes payable	3,708	2,349
Accrued liabilities:		
Compensation	70,214	72,034
Taxes — other than income	21,417	18,832
Insurance claims	73,449	71,455
Other	51,668	62,799
Total current liabilities	272,844	275,074
Retirement plans and other non-current liabilities	25,637	25,596
Insurance claims	130,575	127,114
Total liabilities	429,056	427,784
Stockholders' equity		
Preferred stock, $0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 55,331,000 and 54,651,000 shares issued at July 31, 2006 and October 31,2005, respectively	554	547
Additional paid-in capital	220,358	206,369
Accumulated other comprehensive income (loss)	245	(68)
Retained earnings	380,880	365,455
Cost of treasury stock (6,400,000 and 5,600,000 shares at July 31, 2006 and October 31, 2005, respectively)	(110,319)	(96,377)
Total stockholders' equity	491,718	475,926
Total liabilities and stockholders' equity	$ 920,774	$903,710

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005 As Restated	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005 As Restated
Revenues				
Sales and other income	$689,275	$650,140	$2,015,984	$1,927,860
Gain on insurance claim	—	—	—	1,195
Total revenues	689,275	650,140	2,015,984	1,929,055
Expenses				
Operating expenses and cost of goods sold	612,434	572,759	1,810,932	1,731,042
Selling, general and administrative	48,428	44,417	150,851	142,855
Intangible amortization	1,357	1,430	4,428	4,264
Interest	122	220	366	713
Total expenses	662,341	618,826	1,966,577	1,878,874
Income from continuing operations before income taxes	26,934	31,314	49,407	50,181
Income taxes	9,682	10,720	17,773	15,121
Income from continuing operations	17,252	20,594	31,634	35,060
(Loss) income from discontinued operations, net of income taxes	—	(15)	—	233
Gain on sale of discontinued operations, net of income taxes	—	14,221	—	14,221
Net income	$ 17,252	$ 34,800	$ 31,634	$ 49,514
Net income per common share — Basic				
Income from continuing operations	$ 0.35	$ 0.42	$ 0.64	$ 0.71
Loss from discontinued operations	—	(0.01)	—	—
Gain on sale of discontinued operations	—	0.29	—	0.29
	$ 0.35	$ 0.70	$ 0.64	$ 1.00
Net income per common share — Diluted				
Income from continuing operations	$ 0.35	$ 0.41	$ 0.64	$ 0.69
Loss from discontinued operations	—	(0.01)	—	—
Gain on sale of discontinued operations	—	0.29	—	0.29
	$ 0.35	$ 0.69	$ 0.64	$ 0.98
Average common and common equivalent shares				
Basic	48,846	49,487	49,086	49,470
Diluted	49,306	50,462	49,735	50,522
Dividends declared per common share	$ 0.11	$ 0.105	$ 0.33	$ 0.315

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 2006 AND 2005

(in thousands)	2006	2005 As Restated
Cash flows from operating activities:		
Net income	$ 31,634	$ 49,514
Less income from discontinued operations	—	(14,454)
Income from continuing operations	31,634	35,060
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and intangible amortization	15,772	14,670
Share-based compensation expense	2,584	—
Provision for bad debt	1,290	702
Gain on sale of assets	(704)	(61)
Decrease in deferred income taxes	3,519	1,477
Increase in trade accounts receivable	(24,797)	(37,268)
Increase in inventories	(337)	(5)
Increase in prepaid expenses and other current assets	(3,134)	(6,204)
(Increase) decrease in other assets and long-term receivables	(1,563)	259
Increase (decrease) in net current income taxes	8,150	(15,253)
Increase (decrease) in retirement plans and other non-current liabilities	41	(797)
Increase in insurance claims	5,455	5,656
(Decrease) increase in trade accounts payable and other accrued liabilities	(5,354)	9,254
Total adjustments to income from continuing operations	922	(27,570)
Net cash provided by continuing operating activities	32,556	7,490
Net operational cash flows from discontinued operations	—	372
Net cash provided by operating activities	32,556	7,862
Cash flows from investing activities:		
Additions to property, plant and equipment	(11,139)	(14,887)
Proceeds from sale of assets	1,594	1,254
Purchase of businesses	(9,525)	(25,430)
Proceeds from sale of business	—	32,250
Other	—	1,312
Net cash used in investing activities	(19,070)	(5,501)
Cash flows from financing activities:		
Common stock issued	11,412	17,387
Common stock purchases	(13,942)	(31,318)
Dividends paid	(16,209)	(15,597)
Net cash used in financing activities	(18,739)	(29,528)
Net decrease in cash and cash equivalents	(5,253)	(27,167)
Cash and cash equivalents beginning of period	56,793	63,369
Cash and cash equivalents end of period	$ 51,540	$ 36,202
Supplemental Data:		
Cash paid for income taxes	$ 3,868	$ 28,897
Tax benefit from exercise of options	$ 2,235	$ 2,283
Cash received from exercise of options	$ 9,177	$ 17,387
Non-cash investing activities:		
Common stock issued for business acquired	$ —	$ 3,490

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments necessary to present fairly ABM Industries Incorporated (ABM) and subsidiaries' (the Company) financial position as of July 31, 2006 and the results of operations for the three and nine months then ended, and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature, except as otherwise noted.

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

The information included in this Form 10-Q should be read in conjunction with the Management's Discussion and Analysis and the consolidated financial statements and the notes thereto included in the Company's Form 10-K Annual Report for the fiscal year ended October 31, 2005, as filed with the Securities and Exchange Commission (SEC).

On June 2, 2005, the Company sold substantially all of the operating assets of its wholly owned subsidiary, CommAir Mechanical Services (Mechanical). The remaining assets, consisting of the assets of the water treatment business, were sold to another buyer on July 31, 2005. As a result of these events, the assets and liabilities of Mechanical have been segregated and its operating results and cash flows have been reported as a discontinued operation in the accompanying consolidated financial statements of the Company. (See Note 9.)

2. Previous Restatement of Prior Periods

The financial statements for the first nine months of 2005 included herein have been restated to correct accounting errors associated with the operations acquired from Security Services of America, LLC (SSA LLC) in 2004 in the Security segment of the Company. These errors primarily involved the understatement of cost of goods sold, selling, general and administrative expenses, accrued compensation, and an overstatement of cash and cash equivalents during the first nine months of 2005 and errors in accounting for the subcontracting arrangement with SSA LLC while certain state operating licenses were being obtained by the Company. Correcting these errors reduced the Company's income from continuing operations before income taxes and the operating profits of the Security segment by $1.8 million ($1.1 million after-tax) and $7.9 million ($4.8 million after-tax) in the three and nine months ended July 31, 2005, respectively. Of the $7.9 million for the nine months ended July 31, 2005, $2.0 million was attributable to correction of 2004 errors (*i.e.*, a $2.8 million charge to selling, general and administrative expenses for a reserve provided for the amount the Company believes it overpaid SSA LLC in 2004 in connection with the subcontracting arrangement with SSA LLC and a $0.3 million charge to cost of goods sold to correct the understatement of payroll and payroll-related expenses in 2004, that were partially offset by a $1.1 million benefit in cost of goods sold from correcting the overstatement of insurance expense in 2004).

Detailed information on the restatement is included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2005, as filed with the SEC.

3. Net Income per Common Share

The Company has reported its earnings in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." Basic net income per common share is based on the weighted average number of shares outstanding during the period. Diluted net income per common share is based on the weighted average number of shares outstanding during the period, including common stock equivalents. Stock options account for the entire difference between basic average common shares outstanding and diluted average common shares outstanding. The calculation of net income per common share is as follows:

(in thousands, except per share data)	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005 As Restated	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005 As Restated
Net income available to common stockholders	$17,252	$34,800	$31,634	$49,514
Average common shares outstanding — Basic	48,846	49,487	49,086	49,470
Effect of dilutive securities:				
Stock options	460	975	649	1,052
Average common shares outstanding — Diluted	49,306	50,462	49,735	50,522
Net income per common share — Basic	$ 0.35	$ 0.70	$ 0.64	$ 1.00
Net income per common share — Diluted	$ 0.35	$ 0.69	$ 0.64	$ 0.98

For purposes of computing diluted net income per common share for the three months ended July 31, 2006 and 2005, options to purchase common shares of 2,628,003 and 324,500, respectively, at weighted average exercise prices of $18.44 and $21.49, respectively, were excluded from the computation as they had an anti-dilutive effect.

4. Share-Based Compensation

The Company has five stock incentive plans, which are described below. The Company also has an employee stock purchase plan.

2006 Equity Incentive Plan

On May 2, 2006, the shareholders of ABM approved the 2006 Equity Incentive Plan (the 2006 Equity Plan), which replaced the Time-Vested Incentive Stock Option Plan (the Time-Vested Plan), the 1996 Price-Vested Performance Stock Option Plan (the 1996 Plan) and the 2002 Price-Vested Performance Stock Option Plan (the 2002 Plan and collectively with the Time-Vested Plan and the 1996 Plan, the Prior Plans), all in advance of their expirations. The purpose of the 2006 Equity Plan is to provide stock-based compensation to employees and directors to promote close alignment among the interests of employees, directors and shareholders. The 2006 Equity Plan provides for the issuance of awards for 2,500,000 shares of ABM's common stock plus the remaining shares authorized under the Prior Plans as of May 2, 2006, plus forfeitures under the Prior Plans after that date. The terms and conditions governing existing options under the Time-Vested Plan, the 1996 Plan and the 2002 Plan will continue to apply to the outstanding options made under those plans. The 2006 Equity Plan is an "omnibus" plan that provides for a variety of equity and equity-based award vehicles, including stock options, stock appreciation rights, restricted stock, restricted stock unit awards, performance shares, and other share-based awards. Shares subject to awards that terminate without vesting or exercise may be reissued. Certain of the awards available under the 2006 Equity Plan will qualify as "performance-based"

compensation under Internal Revenue Code Section 162(m) (Section 162(m)). At July 31, 2006, 5,129,265 shares were available for award.

"Time-Vested" Incentive Stock Option Plan

Under the Time-Vested Plan, the options become exercisable at a rate of 20% of the shares per year beginning one year after date of grant and terminate no later than 10 years plus one month after date of grant. On May 2, 2006, the remaining 254,142 shares authorized under this plan became available for grant under the 2006 Equity Plan, as will forfeitures after that date.

"Price-Vested" Performance Stock Option Plans

ABM has two Price-Vested Plans, the 1996 Plan and the 2002 Plan. The two plans are substantially similar. Each option has pre-defined vesting prices which provide for accelerated vesting, which were established by ABM's Compensation Committee. Under each form of option agreement, if, at the end of four years, any of the stock price performance targets are not achieved, then the remaining options would vest at the end of eight years from the date the options were granted. Options vesting during the first year following grant do not become exercisable until after the first anniversary of grant. The options expire ten years after the date of grant. On May 2, 2006, the remaining 2,350,963 shares authorized under these plans became available for grant under the 2006 Equity Plan, as will forfeitures after this date.

Executive Stock Option Plan (aka "Age-Vested" Career Stock Option Plan)

Under the Age-Vested Plan, options are exercisable for 50% of the shares when the option holders reach their 61st birthdays and the remaining 50% become exercisable on their 64th birthdays. To the extent vested, the options may be exercised at any time prior to one year after termination of employment. Effective as of December 9, 2003, no further grants may be made under the plan.

Employee Stock Purchase Plan

Under the 2004 Employee Stock Purchase Plan, through April 30, 2006, the participants' purchase price was 85% of the lower of the fair market value of ABM's common stock on the first day of each six-month period in the fiscal year (*i.e*., May and November, or in the case of the first offering period, the price on August 1, 2004) or the last trading day of each month. Effective May 1, 2006, the purchase price became 95% of the fair market value of ABM's common stock on the last trading day of each month. Accordingly, this plan is no longer considered compensatory and the value of the awards will no longer be treated as share-based compensation expense. Employees may designate up to 10% of their compensation for the purchase of stock, subject to a $25,000 annual limit. Employees are required to hold their shares for a minimum of six months from the date of purchase. At July 31, 2006, 941,338 shares remained unissued under the plan.

Share-Based Compensation Expense

Effective November 1, 2005, the Company began recording compensation expense associated with stock options in accordance with SFAS No. 123R, "Share-Based Payment," as interpreted by SEC Staff Accounting Bulletin No. 107. Prior to November 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS No. 123R, and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the three and nine months ended July 31, 2006 included: (1) amortization related to the remaining unvested portion of all stock option awards granted for the fiscal years beginning November 1, 1995 and ended October 31, 2005, based on the grant date fair value estimated in accordance with the

original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation;" and (2) amortization related to all stock option awards granted November 1, 2005 or after, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The compensation cost is included in selling, general and administrative expenses and is not allocated to the segments.

The compensation expense and related income tax benefit recognized in the Company's consolidated financial statements for the three and nine months ended July 31, 2006 were as follows.

(in thousands)	Three Months Ended July 31, 2006	Nine Months Ended July 31, 2006
Share-based compensation expense recognized in selling, general and administrative expenses before income taxes	$529	$2,584
Income tax benefit	148	473
Total share-based compensation expense after income taxes	$381	$2,111

As of July 31, 2006, there was $7.4 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested options which is expected to be recognized over a weighted-average vesting period of 3.0 years. The Company elected to treat each award granted under the Time-Vested Plan as a single award and recognize the compensation cost on a straight-line basis over the requisite service period of the entire award. At any point in time, the compensation cost recognized will equal or exceed the portion of the grant-date fair value of the award that has vested at that date.

The following table illustrates the effect on net income and net income per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 to share-based compensation during the three- and nine-month periods ended July 31, 2005:

(in thousands, except per share data)	Three Months Ended July 31, 2005	Nine Months Ended July 31, 2005
	As Restated	As Restated
Net income, as reported	$34,800	$49,514
Deduct: Stock-based employee compensation cost, net of tax effect, that would have been included in net income if the fair value method had been applied	815	2,394
Net income, pro forma	$33,985	$47,120
Net income per common share — Basic		
As reported	$ 0.70	$ 1.00
Pro forma	$ 0.69	$ 0.95
Net income per common share — Diluted		
As reported	$ 0.69	$ 0.98
Pro forma	$ 0.67	$ 0.93

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option valuation model. The Company uses an outside expert to determine the assumptions used in the option valuation model. The Company estimates option forfeitures based on historical data and adjusts the forfeiture rate periodically or as needed. The adjustment of the forfeiture rate may result in a cumulative catch-up adjustment in any period the forfeiture rate estimate is changed. During the three and nine months ended July 31, 2006, no adjustment was necessary.

The assumptions used in the option valuation model for the three and nine months ended July 31, 2006 and 2005 are shown in the table below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2006 *	2005	2006	2005
Expected term from the date of grant	—	10.0 years	6.7 years	9.2 years
Expected stock price volatility average	—	23.3%	26.3%	22.9%
Expected dividend yield	—	2.3%	2.1%	2.2%
Risk-free interest rate	—	4.1%	4.4%	4.1%
Weighted average fair value of grants	—	$5.15	$5.67	$5.16

* No options were granted in the three months ended July 31, 2006.

The expected term for options granted under the Time-Vested Plan is based on observed historical exercise patterns. The expected term for options granted under the 1996 Plan and the 2002 Plan is calculated using the simplified method in accordance with SEC Staff Accounting Bulletin No. 107. The simplified method was calculated as the vesting term plus the contractual term divided by two. The vesting term of the 1996 Plan and the 2002 Plan options was derived using a Monte Carlo Simulation due to the market condition affecting the exercisability of these options. The expected volatility is based on considerations of implied volatility from publicly traded and quoted options on ABM's common stock and the historical volatility of ABM's common stock. The risk-free interest rate is based on the continuous compounded yield on U.S. Treasury Constant Maturity Rates with a remaining term equal to the expected term of the option. The dividend yield is based on the historical dividend yield over the expected term of the options granted.

The status of the Company's stock option plans at July 31, 2006, is summarized below:

	Number of shares (in thousands)	Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at October 31, 2005	6,078	$15.30		
Granted	286	20.09		
Exercised	319	10.66		
Forfeited or expired	188	15.00		
Outstanding at July 31, 2006	5,857	$15.80	6.42	$9,482
Exercisable at July 31, 2006	2,626	$14.27	3.75	$6,575

Additionally, 97,026 shares of ABM's common stock were issued to employees under the Employee Stock Purchase Plan at an average price of $16.14 during the three months ended July 31, 2006 and 358,058 shares at an average price of $15.78 during the nine months ended July 31, 2006. The share-based compensation cost recognized during the nine months ended July 31, 2006 associated with these shares was $0.8 million. Because of changes to the plan described above, beginning in the third quarter of 2006, the value of the awards is no longer treated as share-based compensation and no share-based compensation expense was recognized in the three months ended July 31, 2006.

The total intrinsic value of the options for 179,469 shares exercised during the three months ended July 31, 2006 was $1.2 million and for 319,349 shares exercised during the nine months ended July 31, 2006 was $2.4 million. The fair value of options that vested during the three and nine months ended July 31, 2006 was $0.2 million and $2.0 million, respectively.

The Company settles employee stock option exercises with newly issued common shares approved by stockholders for inclusion in the 2006 Equity Plan and Prior Plans.

5. Parking Sales Presentation

The Company's Parking segment reports both revenues and expenses recognized, in equal amounts, for costs directly reimbursed from its managed parking lot clients in accordance with Emerging Issues Task Force (EITF) Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Parking sales related solely to the reimbursement of expenses totaled $69.2 million and $57.6 million for the three months ended July 31, 2006 and 2005, respectively, and $196.1 million and $172.1 million for the nine months ended July 31, 2006 and 2005, respectively.

6. Insurance

The Company self-insures certain insurable risks such as general liability, automobile, property damage, and workers' compensation. Commercial policies are obtained to provide for $150.0 million of coverage for certain risk exposures above the self-insured retention limits (*i.e.*, deductibles). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from $0.5 million per occurrence (inclusive of legal fees) to $1.0 million per occurrence (exclusive of legal fees) except for California workers' compensation insurance which increased to $2.0 million per occurrence from April 14, 2003 to April 14, 2005, when it returned to $1.0 million per occurrence, plus an additional $1.0 million annually in the aggregate.

The Company uses an independent actuary to evaluate the Company's estimated claim costs and liabilities annually and accrues self-insurance reserves in an amount that is equal to the actuarial point estimate. Using the annual actuarial report, management develops annual insurance costs for each operation, expressed as a rate per $100 of exposure (labor and revenue) to estimate insurance costs on a quarterly basis. The 2006 actuarial report covering substantially all of the Company's self-insurance reserves was completed in the third quarter of 2006. The report showed favorable developments in the Company's California workers' compensation and general and auto liability claims and adverse development in the Company's workers' compensation claims outside California, in each case as of May 31, 2006. Based on the 2006 actuarial report, the Company reduced its self-insurance reserves in the third quarter of 2006 by $7.9 million, which was attributable to the first six months of 2006 and prior years. In the third quarter of 2005, the Company reduced its self insurance reserves by $9.0 million, which was attributable to the first six months of 2005 and prior years.

Additionally, management monitors new claims and claim development to assess the adequacy of the insurance reserves. The estimated future charge is intended to reflect the recent experience and trends. Trend analysis is complex and highly subjective. The interpretation of trends requires the knowledge of all factors affecting the trends that may or may not be reflective of adverse developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). If the trends suggest that the frequency or severity of claims incurred has increased, the Company might be required to record additional expenses for self-insurance liabilities. Additionally, the Company uses third party service providers to administer its claims and the performance of the service providers and transfers between administrators can impact the cost of claims and accordingly the amounts reflected in insurance reserves.

The total estimated liability for claims incurred but unpaid at July 31, 2006 and October 31, 2005 was $204.0 million and $198.6 million, respectively.

In connection with certain self-insurance programs, the Company had standby letters of credit at July 31, 2006 and October 31, 2005 supporting estimated unpaid liabilities in the amounts of $93.4 million and $82.1million, respectively.

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7. Goodwill and Other Intangibles

Goodwill. The changes in the carrying amount of goodwill for the nine months ended July 31, 2006 were as follows (acquisitions are discussed in Note 8):

(in thousands) Segment	Balance as of October 31, 2005	Initial Payments for Acquisitions	Contingent Amounts and Other	Balance as of July 31, 2006
Janitorial	$151,307	$575	$2,107	$153,989
Parking	29,535	—	645	30,180
Security	42,541	238	745	43,524
Engineering	2,174	—	—	2,174
Lighting	18,002	—	—	18,002
Total	$243,559	$813	$3,497	$247,869

Of the $247.9 million carrying amount of goodwill as of July 31, 2006, $44.8 million is not amortizable for income tax purposes because of being acquired prior to 1991 or through stock acquisitions.

Other Intangibles. The changes in the gross carrying amount and accumulated amortization of intangibles other than goodwill for the nine months ended July 31, 2006 were as follows (acquisitions are discussed in Note 8):

	Gross Carrying Amount				Accumulated Amortization			
(in thousands)	October 31, 2005	Additions	Retirements and Other	July 31, 2006	October 31, 2005	Additions	Retirements and Other	July 31, 2006
Customer contracts and related relationships	$28,267	$4,988	$ —	$33,255	$ (7,540)	$(3,587)	$ —	$(11,127)
Trademarks and trade names	3,050	—	—	3,050	(1,227)	(405)	—	(1,632)
Other (contract rights, etc.)	6,624	27	(3,983)	2,668	(4,711)	(436)	3,692	(1,455)
Total	$37,941	$5,015	$(3,983)	$38,973	$(13,478)	$(4,428)	$3,692	$(14,214)

Of the $5.0 million additions to other intangibles, $0.5 million is for contingent amounts paid for earlier acquisitions and the remaining $4.5 million is for initial payments for acquisitions during the nine months ended July 31, 2006.

The weighted average remaining lives as of July 31, 2006 and the amortization expense for the three and nine months ended July 31, 2006 and 2005 of intangibles other than goodwill, as well as the estimated amortization expense for such intangibles for each of the five succeeding fiscal years are as follows:

	Weighted Average Remaining Life	Amortization Expense				Estimated Amortization Expense				
		Three Months Ended July 31,		Nine Months Ended July 31,		Years Ending October 31,				
($ in thousands)	(Years)	2006	2005	2006	2005	2007	2008	2009	2010	2011
Customer contracts and related relationships	9.9	$1,181	$1,031	$3,587	$2,970	$4,275	$3,737	$3,199	$2,661	$2,124
Trademarks and trade names	2.9	135	135	405	522	540	540	202	—	—
Other (contract rights, etc.)	8.6	41	264	436	772	190	181	165	135	135
Total	9.5	$1,357	$1,430	$4,428	$4,264	$5,005	$4,458	$3,566	$2,796	$2,259

The customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the

economic benefits of the customer relationship intangible assets are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are being amortized over the contract periods using the straight-line method.

8. Acquisitions

Acquisitions have been accounted for using the purchase method of accounting. The operating results generated by the companies and businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The excess of the purchase price (including contingent amounts) over fair value of the net tangible and intangible assets acquired is included in goodwill. Most purchase agreements provide for initial payments and contingent payments based on the annual pre-tax income or other financial parameters for subsequent periods ranging generally from two to five years.

Cash paid for acquisitions, including initial payments and contingent amounts based on subsequent performance, was $9.5 million and $25.4 million in the nine months ended July 31, 2006 and 2005, respectively. Of those payment amounts, $4.1 million and $10.6 million were the contingent amounts paid in the nine months ended July 31, 2006 and 2005, respectively, on earlier acquisitions as provided by the respective purchase agreements. In addition, shares of ABM's common stock with a fair market value of $3.5 million at the date of issuance were issued in the nine months ended July 31, 2005 as payment for a business acquired.

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

On November 1, 2005, the Company acquired substantially all of the operating assets of Brandywine Building Services, Inc., a facility services company based in Wilmington, Delaware, for approximately $3.6 million in cash. Additional cash consideration of approximately $2.4 million is expected to be paid based on the financial performance of the acquired business over the next four years. With annual revenues in excess of $9.0 million, Brandywine Building Services, Inc. was a provider of commercial office cleaning and specialty cleaning services throughout Delaware, southeast Pennsylvania and south New Jersey. Of the total initial payment, $2.9 million was allocated to customer relationship intangible assets, $0.6 million to goodwill and $0.1 million to other assets. As of July 31, 2006, no contingent payment had been made.

On November 27, 2005, the Company acquired substantially all of the operating assets of Fargo Security, Inc., a security guard services company based in Miami, Florida, for an initial payment of approximately $1.2 million in cash plus an additional payment of $0.4 million based on the revenue retained by the acquired business over the 90 days following the date of acquisition. With annual revenues in excess of $6.5 million, Fargo Security, Inc. was a provider of contract security guard services throughout the Miami metropolitan area. Of the total initial payment, $1.0 million was allocated to customer relationship intangible assets and $0.2 million to goodwill. The contingent payment made in the nine months ended July 31, 2006 of $0.4 million was allocated to goodwill.

On December 11, 2005, the Company acquired substantially all of the operating assets of MWS Management, Inc., dba Protector Security Services, a security guard services company based in St. Louis, Missouri, for an initial payment of approximately $0.6 million in cash plus an additional payment of $0.3 million based on the revenue retained by the acquired business over the 90 days following the date of acquisition. With annual revenues in excess of $2.6 million, Protector Security Services was a provider of contract security guard services throughout the St. Louis metropolitan area. Of the total initial payment, $0.6 million was allocated to customer relationship intangible assets. The contingent payment made in the nine months ended July 31, 2006 of $0.3 million was allocated to goodwill.

The Company made the following acquisitions during the nine months ended July 31, 2005:

On November 1, 2004, the Company acquired substantially all of the operating assets of Sentinel Guard Systems (Sentinel), a Los Angeles-based company, from Tracerton Enterprises, Inc. Sentinel, with annual revenues in excess of $13.0 million, was a provider of security officer services primarily to high-rise, commercial and residential structures. In addition to its Los Angeles business, Sentinel also operated an office in San Francisco. The initial purchase price was $5.3 million, which included a payment of $3.5 million in shares of ABM's common stock, the assumption of liabilities totaling approximately $1.7 million and $0.1 million of professional fees. Of the initial purchase price, $2.4 million was allocated to customer relationship intangible assets, $0.1 million to trademarks and trade names, $1.3 million to customer accounts receivable and other assets and $1.5 million to goodwill. Additionally, because of the tax-free nature of this transaction to the seller, the Company recorded a $1.0 million deferred tax liability on the difference between the recorded fair market value and the seller's tax basis of the net assets acquired. Goodwill was increased by the same amount. Additional consideration includes contingent payments, based on achieving certain revenue and profitability targets over a three-year period, estimated to be between $0.5 million and $0.75 million per year, payable in shares of ABM's common stock. As of July 31, 2006, no contingent payment has been made.

On December 22, 2004, the Company acquired the operating assets of Colin Service Systems, Inc. (Colin), a facility services company based in New York, for an initial payment of $13.6 million in cash. Under certain conditions, additional consideration may include an estimated $1.9 million payment upon the collection of the acquired receivables and three annual contingent cash payments each for approximately $1.1 million, which are based on achieving annual revenue targets over a three-year period. With annual revenues in excess of $70 million, Colin was a provider of professional onsite management, commercial office cleaning, specialty cleaning, snow removal and engineering services. Of the total initial payment, $3.6 million was allocated to customer relationship intangible assets, $6.4 million to customer accounts receivable and other assets and $3.6 million to goodwill. In February 2006, the first annual contingent cash payment of $1.1 million was made, bringing the total purchase price paid to date to $14.7 million. The contingent cash payment of $1.1 million was allocated to goodwill.

On March 4, 2005, the Company acquired the operating assets of Amguard Security and Patrol Services (Amguard), based in Germantown, Maryland, for an initial payment of $1.1 million in cash plus additional payments of $0.3 million based on the revenue retained by the acquired business over the first year following the date of acquisition. With annual revenues in excess of $4.5 million, Amguard was a provider of security officer services, primarily to high-rise, commercial and residential structures. Of the total initial payment, $0.9 million was allocated to customer relationship intangible assets, $0.1 million to goodwill and $0.1 million to other assets. In October 2005 and May 2006, contingent cash payments of $0.2 million and $0.1 million, respectively, were made, bringing the total purchase price paid to $1.4 million. The contingent cash payments of $0.3 million were allocated to goodwill.

9. Discontinued Operations

On June 2, 2005, the Company sold substantially all of the operating assets of CommAir Mechanical Services, which represented the Company's Mechanical segment, to Carrier Corporation (Carrier). The operating assets sold included customer contracts, accounts receivable, inventories, facility leases and other assets, as well as rights to the name "CommAir Mechanical Services." The consideration paid was $32.0 million in cash, subject to certain adjustments, and Carrier's assumption of trade payables and accrued liabilities. The Company realized a pre-tax gain of $21.4 million ($13.1 million after tax) on the sale of these assets in 2005.

On July 31, 2005, the Company sold the remaining operating assets of Mechanical, consisting of its water treatment business, to San Joaquin Chemicals, Incorporated for $0.5 million, of which $0.25 million was in the form of a note and $0.25 million in cash. The operating assets sold included customer contracts and inventories. The Company realized a pre-tax gain of $0.3 million ($0.2 million after tax) on the sale of these assets in 2005.

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc., which represented the Company's Elevator segment, to Otis Elevator Company.

In June 2005, the Company settled litigation that arose from and was directly related to the operations of Elevator prior to its disposal. An estimated liability had been recorded on the date of disposal. The settlement amount was less than the estimated liability by $0.2 million, pre-tax. This difference was recorded as income from discontinued operations in the second quarter of 2005. In addition, $0.9 million benefit was recorded in Gain on sale of discontinued operations in the third quarter of 2005, which resulted from the correction of the overstatement of income taxes provided for the gain on sale of assets of the Elevator segment.

The operating results of Mechanical for the three and nine months ended July 31, 2005 and the Elevator adjustments are shown below:

(In thousands)	Three Months Ended July 31, 2005	Nine Months Ended July 31, 2005
Revenues	$4,472	$24,775
(Loss) income before income taxes	$ (21)	$ 383
Income taxes	(6)	150
(Loss) income from discontinued operations, net of income taxes	$ (15)	$ 233

10. Line of Credit Facility

In May 2005, ABM entered into a $300 million syndicated line of credit scheduled to expire in May 2010. No compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.375% to 1.125% or, for overnight borrowings, at the prime rate or, for overnight to one week, at the Interbank Offered Rate (IBOR) plus a spread of 0.375% to 1.125%. The spreads for LIBOR and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a non-use fee payable quarterly, in arrears, of 0.125%, based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of July 31, 2006 and October 31, 2005, the total outstanding amounts under the facility were $98.6 million and $84.4 million in the form of standby letters of credit, respectively.

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

11. Comprehensive Income

Comprehensive income consists of net income and other related gains and losses affecting stockholders' equity that, under generally accepted accounting principles, are excluded from net income. For the Company, such other comprehensive income items consist of unrealized foreign currency translation gains and losses. The Company's other comprehensive income was zero for the three months

ended July 31, 2006 and 2005. The Company's other comprehensive income was $0.3 million for the nine months ended July 31, 2006 and a loss of $0.1 million for the nine months ended July 31, 2005. Comprehensive income for the nine months ended July 31, 2006 and 2005 was $31.9 million and $49.4 million, respectively.

12. Treasury Stock

On March 7, 2005, ABM's Board of Directors authorized the purchase of up to 2,000,000 shares of ABM's outstanding common stock at any time through October 31, 2005. The Company repurchased 1,600,000 shares under this authorization during the first nine months of 2005 at a cost of $31.3 million (an average price of $19.57 per share). At October 31, 2005, the authorization for the remaining 400,000 shares expired.

On March 29, 2006, the Board of Directors authorized the purchase of up to 2,000,000 shares of ABM's outstanding common stock at any time through October 31, 2006. The Company repurchased 800,000 shares under this authorization during the first nine months of 2006 at a cost of $13.9 million (an average price of $17.43 per share).

13. Employee Benefit and Incentive Plans

The Company offers various employee benefit plans to its employees. Detailed descriptions of these plans are included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2005, as filed with the Securities and Exchange Commission.

Executive Officer Incentive Plan

On May 2, 2006, the shareholders of ABM approved the Executive Officer Incentive Plan (Incentive Plan). The purpose of the Incentive Plan is to provide annual performance-based cash incentives to certain employees of the Company and to motivate those employees to set and achieve above-average financial and non-financial goals. The Incentive Plan will give the Compensation Committee of the Board of Directors of ABM the ability to award cash bonuses that qualify as "performance-based compensation" under Section 162(m), and the Company's ability to deduct cash bonuses will be preserved. The aggregate funds available for bonuses under the Incentive Plan are three percent of pre-tax operating income for the award year. The plan sets forth certain limits on the awards to each of the covered employees eligible for bonuses under the Incentive Plan.

Retirement and Post-Retirement Plans

The Company has three unfunded defined benefit plans. The Supplemental Executive Retirement Plan represents retirement agreements for current and former senior executives including two non-employee directors who are former employees. The Non-Employee Director Retirement Plan represents retirement agreements for non-employee directors including two former senior executives who began to accrue benefits under the non-employee director plan after termination of employment. The Service Award Benefit Plan represents an unfunded severance pay plan covering certain qualified employees. The Supplemental Executive Retirement Plan was amended effective December 31, 2002 to preclude new participants and the Service Award Benefit Plan was frozen effective January 1, 2002. The post-retirement benefit plan is the Company's unfunded Death Benefit Plan.

The net expense of the defined benefit retirement plans and the post-retirement benefit plan for the three and nine months ended July 31, 2006 and 2005 was as follows:

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(in thousands)	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005
Defined Benefit Plans				
Service cost	$ 64	$ 53	$208	$151
Interest	119	222	353	502
Net expense	$183	$275	$561	$653
Post-Retirement Benefit Plan				
Service cost	$ 8	$ 10	$ 23	$ 30
Interest	62	68	185	203
Net expense	$ 70	$ 78	$208	$233

401(k) Plans

The Company made matching contributions required by the 401(k) plans for the three months ended July 31, 2006 and 2005 in the amounts of $1.3 million each, and for the nine months ended July 31, 2006 and 2005 in the amounts of $4.1 million and $4.0 million, respectively.

Deferred Compensation Plan

The Company has an unfunded deferred compensation plan available to executive, management, administrative or sales employees whose annualized base salary exceeds $100,000. The plan allows employees to defer from 1% to 20% of their pre-tax compensation. The deferred amount earns interest equal to the prime interest rate on the last day of the calendar quarter up to 6%. If the prime rate exceeds 6%, the deferred compensation interest rate is equal to 6% plus one half of the excess over 6%. The average interest rates credited to the deferred compensation amounts for the three months ended July 31, 2006 and 2005 were 7.13% and 6.21%, respectively, and for the nine months ended July 31, 2006 and 2005 were 6.93% and 5.83%, respectively. At July 31, 2006, there were 63 active participants and 33 retired or terminated employees participating in the plan.

(in thousands)	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005
Employee contributions	$ 147	$219	$ 544	$ 856
Interest accrued	$ 163	$153	$ 485	$ 436
Payments	$(132)	$ (23)	$(1,804)	$(2,414)

Pension Plan Under Collective Bargaining

Certain qualified employees of the Company are covered under union-sponsored multi-employer defined benefit plans. Contributions into these plans were $8.4 million and $8.6 million in the three months ended July 31, 2006 and 2005, respectively, and $25.2 million and $25.3 million in the nine months ended July 31, 2006 and 2005, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

14. Segment Information

Under the criteria of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. Corporate expenses, including the Company’s share-based compensation costs, are not allocated.

(in thousands)	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005 As Restated	Nine Months Ended July 31, 2006	Nine Months Ended July 31, 2005 As Restated
Sales and other income				
Janitorial	$395,872	$384,381	$1,164,830	$1,141,961
Parking	115,719	102,767	327,503	303,073
Security	77,404	74,702	230,978	220,465
Engineering	71,665	60,882	206,705	176,057
Lighting	28,097	26,877	84,241	85,080
Corporate	518	531	1,727	1,224
	$689,275	$650,140	$2,015,984	$1,927,860
Operating profit				
Janitorial	$ 23,131	$ 25,165	$ 58,786	$ 47,795
Parking	4,552	4,079	9,202	8,915
Security	1,980	2,502	2,442	1,856
Engineering	4,450	4,146	11,400	10,327
Lighting	116	927	700	2,421
Corporate	(7,173)	(5,285)	(32,757)	(21,615)
Operating profit	27,056	31,534	49,773	49,699
Gain on insurance claim	—	—	—	1,195
Interest expense	(122)	(220)	(366)	(713)
Income from continuing operations before income taxes	$ 26,934	$ 31,314	$ 49,407	$ 50,181

15. Contingencies

The Company accrues amounts it believes are adequate to address any liabilities related to litigation or other proceedings that the Company believes will result in a probable loss. However, the ultimate resolution of such matters is always uncertain. It is possible that litigation or other proceedings brought against the Company could have a material adverse impact on its financial condition and results of operations. The total amount accrued for probable losses at July 31, 2006 was not material.

16. Income Taxes

The effective tax rates were 35.9% and 34.2% for the three months ended July 31, 2006 and 2005, respectively, and 36.0% and 30.1% for the nine months ended July 31, 2006 and 2005, respectively. The estimated annual effective tax rate is 37.5% for 2006 and was 36.5% for 2005. The increase was primarily due to the effect of the non-deductible incentive stock option expense included in the 2006 pre-tax income and a higher estimated state income tax rate. A $2.7 million income tax benefit was recorded in the second quarter of 2005 resulting from the favorable settlement of the audit of prior years' state tax returns (tax years 2000 to 2003) in May 2005 and a $0.3 million income tax benefit was recorded in the third quarter of 2005 principally from adjusting the income tax liability accounts after filing the 2004 income tax returns. A $1.1 million benefit mostly from the reversal of state tax liabilities for closed years was recorded in the third quarter of 2006, partially offset by a $0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns. A $0.3 million income tax benefit was recorded in the first quarter of 2006 from the increase in deferred tax assets due to an increase in the estimated overall state income tax rate.

17. Subsequent Event

On August 15, 2006, ABM settled its World Trade Center business interruption insurance coverage litigation with Zurich Insurance Company for $80.0 million, which will be received in September 2006. This payment, after giving effect to the legal and other expenses associated with the litigation, will increase ABM's net income in its fourth quarter ending October 31, 2006, by approximately $45.0 million or $0.90 per diluted share. This settlement resolved ABM's business interruption insurance claims for its losses related to the destruction of the World Trade Center complex in New York City, where ABM provided janitorial, engineering, and lighting services.

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

The following discussion should be read in conjunction with the consolidated financial statements of the Company included in this Quarterly Report on Form 10-Q and to the consolidated financial statements and notes thereto and Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended October 31, 2005. All information in the discussion and references to the years are based on the Company's fiscal year which ends on October 31 and the three- and nine-month periods which end on July 31.

Overview

ABM Industries Incorporated ("ABM") and its subsidiaries (the "Company") provide janitorial, parking, security, engineering and lighting services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities throughout the United States, as well as in certain cities in British Columbia, Canada. The largest segment of the Company's business is Janitorial which generated over 57% of the Company's sales and other income (hereinafter called "Sales") and over 71% of its operating profit before corporate expenses for the first nine months of 2006. The Company also previously provided mechanical services. It sold substantially all of the operating assets of its Mechanical segment on June 2, 2005 and the remaining assets on July 31, 2005. (See "Results from Discontinued Operations.")

The Company's Sales are substantially based on the performance of labor-intensive services at contractually specified prices. Janitorial and other maintenance service contracts are either fixed-price or "cost-plus" (*i.e.*, the customer agrees to reimburse the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage), or are time- and materials-based. In addition to services defined within the scope of the contract, the Company also generates Sales from extra services (or "tags"), such as additional cleaning requirements or emergency repair services, with extra services frequently providing higher margins. The quarterly profitability of fixed-price contracts is impacted by the variability of the number of work days in the quarter.

The majority of the Company's contracts are for one-year periods, but are subject to termination by either party after 30 to 90 days' written notice. Upon renewal of the contract, the Company may renegotiate the price although competitive pressures and customers' price sensitivity could inhibit the Company's ability to pass on cost increases. Such cost increases include, but are not limited to, labor costs, workers' compensation and other insurance costs, any applicable payroll taxes and fuel costs. However, for some renewals the Company is able to restructure the scope and terms of the contract to maintain profit margin.

Sales have historically been the major source of cash for the Company, while payroll expenses, which are substantially related to Sales, have been the largest use of cash. Hence, operating cash flows significantly depend on the Sales level and timing of collections, as well as the quality of the customer accounts receivable. The timing and level of the payments to suppliers and other vendors, as well as the magnitude of self-insured claims, also affect operating cash flows. The Company's management views operating cash flows as a good indicator of financial strength. Strong operating cash flows provide opportunities for growth, both internally and through acquisitions.

The Company's recent acquisitions significantly contributed to the growth in Sales in the first nine months of 2006 from the same period in 2005. The Company also experienced internal growth in Sales in the first nine months of 2006. Internal growth in Sales represents not only Sales from new customers, but also expanded services or increases in the scope of work for existing customers. In the long run, achieving the desired levels of Sales and profitability will depend on the Company's ability to gain and retain, at acceptable profit margins, more customers than it loses, pass on cost increases to customers, and keep overall costs down to remain competitive, particularly against privately owned companies that typically have the lower cost advantage.

In the short-term, management is focused on pursuing new business and integrating its most recent acquisitions. In the long-term, management continues to focus the Company's financial and management resources on those businesses it can grow to be a leading national service provider.

Liquidity and Capital Resources

(in thousands)	July 31, 2006	October 31, 2005	Change
Cash and cash equivalents	$ 51,540	$ 56,793	$ (5,253)
Working capital	261,798	246,379	15,419

(in thousands)	Nine Months Ended July 31, 2006	2005 As Restated	Change
Net cash provided by operating activities from continuing operations	$ 32,556	$ 7,490	$ 25,066
Net cash used in investing activities	(19,070)	(5,501)	(13,569)
Net cash used in financing activities	(18,739)	(29,528)	10,789

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. As of July 31, 2006 and October 31, 2005, the Company's cash and cash equivalents totaled $51.5 million and $56.8 million, respectively. Cash used in investing and financing activities exceeded cash provided by operations due to the use of $16.2 million for dividend payments, $13.9 million for the purchase of ABM common stock, $11.1 million for additions to property, plant, and equipment, and $9.5 million for acquisitions, including $5.4 million of initial payments for the purchase of operations of Brandywine Building Services, Inc. ("Brandywine") acquired on November 1, 2005, Fargo Security, Inc. ("Fargo") acquired on November 27, 2005 and Protector Security Services ("Protector") acquired on December 11, 2005. Net cash provided by operations of $32.6 million and cash from common stock issuances of $11.4 million substantially offset these uses. As described under "Insurance Claims Related to the Destruction of the World Trade Center in New York on September 11, 2001" below, the Company will receive $80.0 million in cash during the fourth quarter of 2006 from the settlement of World Trade Center insurance claims.

Working Capital. Working capital increased by $15.4 million to $261.8 million at July 31, 2006 from $246.4 million at October 31, 2005, which is primarily reflected in $24.8 million increase in trade accounts receivable during the first nine months of 2006. Trade accounts receivable is the largest component of working capital and totaled $368.9 million at July 31, 2006 compared to $345.1 million at October 31, 2005. These amounts were net of allowances for doubtful accounts of $6.4 million and sales allowance of $1.9 million at July 31, 2006 and allowance for doubtful accounts of $6.1 million and sales allowance of $1.8 million at October 31, 2005. At July 31, 2006, accounts receivable that were over 90 days past due had increased by $10.1 million to $37.2 million (9.9% of the total outstanding) from $27.2 million (7.7% of the total outstanding) at October 31, 2005. Some large customers, including government entities, were slower in making payments.

Cash Flows from Operating Activities. Operating activities provided net cash of $32.6 million from continuing operations in the first nine months of 2006, compared to $7.5 million in the first nine months of 2005. Operating cash from continuing operations increased in the first nine months of 2006 from the first nine months of 2005 primarily due to the lower income tax payments associated with lower estimated taxable income in the first nine months of 2006, partially offset by payments in the second quarter of 2006 of litigation settlements that were pending at October 31, 2005. Cash flows from operating activities was also affected by the timing of other recurring payments.

Cash Flows from Investing Activities. Net cash used in investing activities in the first nine months of 2006 was $19.1 million, compared to $5.5 million in the first nine months of 2005. Cash flows from investing activities in 2005 included $32.3 million proceeds received from the sales of the operating assets of the Mechanical segment during the third quarter of 2005 (see "Results from Discontinued Operations"), although $15.9 million more cash was used in the purchase of businesses in the first nine months of 2005 compared to the first nine months of 2006.

Cash Flows from Financing Activities. Net cash used in financing activities was $18.7 million in the first nine months of 2006, compared to $29.5 million in the first nine months of 2005. This was primarily because the Company repurchased $17.4 million less ABM common stock in the first nine months of 2006 compared to the first nine months of 2005 offset by the issuance of $6.0 million less common stock through the Company's stock option and employee stock purchase plans in the first nine months of 2006 compared to the first nine months of 2005.

Line of Credit. In May 2005, ABM entered into a $300 million syndicated line of credit scheduled to expire in May 2010. No compensating balances are required under the facility and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.375% to 1.125% or, for overnight borrowings, at the prime rate or, for overnight to one week, at the Interbank Offered Rate (IBOR) plus a spread of 0.375% to 1.125%. The spreads for LIBOR and IBOR borrowings are based on the Company's leverage ratio. The facility calls for a non-use fee payable quarterly, in arrears, of 0.125%, based on the average daily unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of July 31, 2006 and October 31, 2005, the total outstanding amounts under the facility were $98.6 million and $84.4 million in the form of standby letters of credit, respectively.

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

Cash Requirements

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements for various facilities, vehicles and other equipment. As of July 31, 2006, future contractual payments were as follows:

(in thousands)	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating Leases	$135,949	$ 35,802	$ 45,452	$ 24,647	$ 30,048

Additionally, the Company has the following commercial commitments and other long-term liabilities:

(in thousands)	Amounts of Commitment Expiration Per Period				
Commercial Commitments	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Standby Letters of Credit	$ 98,575	$ 98,575	—	—	—
Surety Bonds	49,134	46,666	$ 2,352	$ 16	$ 100
Total	$147,709	$145,241	$ 2,352	$ 16	$ 100

(in thousands)	Payments Due By Period				
Other Long-Term Liabilities	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Retirement Plans	$ 34,187	$ 2,259	$ 4,172	$ 4,321	$ 23,435

The Company uses surety bonds, principally performance and payment bonds, to guarantee performance under various customer contracts in the normal course of business. These bonds typically remain in force for one to five years and may include optional renewal periods. At July 31, 2006, outstanding surety bonds totaled approximately $49.1 million. The Company does not believe these bonds will be required to be drawn upon.

The Company has three unfunded defined benefit plans, an unfunded post-retirement benefit plan and an unfunded deferred compensation plan that are described in Note 13 of the Notes to Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q. At July 31, 2006, the liability reflected on the Company's consolidated balance sheet for these five plans totaled $22.1 million, with the amount expected to be paid over the next 20 years estimated at $34.2 million. With the exception of the deferred compensation plan, the liability for which is reflected on the Company's consolidated balance sheet at the amount of compensation deferred plus accrued interest, the plan liabilities at that date assume future annual compensation increases of 3.0% (for those plans affected by compensation changes) and have been discounted at 5.75%, a rate based on Moody's Investor Services AA-rated long-term corporate bonds (*i.e.*, 20 years). Because the deferred compensation plan liability reflects the actual obligation of the Company and the post-retirement benefit plan and two of the three defined benefit plans have been frozen, variations in assumptions would be unlikely to have a material effect on the Company's financial condition and operating performance. The Company expects to fund payments required under the five plans from operating cash as payments are due to participants.

Not included in the unfunded employee benefit plans in the table above are union-sponsored multi-employer defined benefit plans under which certain union employees of the Company are covered. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. Contributions paid for these plans were $25.2 million and $25.3 million in the nine months ended July 31, 2006 and 2005, respectively.

The Company self-insures certain insurable risks such as general liability, automobile, property damage, and workers' compensation. Commercial policies are obtained to provide for $150.0 million of coverage for certain risk exposures above the self-insured retention limits (*i.e.,* deductibles). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from $0.5 million per occurrence (inclusive of legal fees) to $1.0 million per occurrence (exclusive of legal fees)

except for California workers' compensation insurance which increased to $2.0 million per occurrence from April 14, 2003 to April 14, 2005, when it returned to $1.0 million per occurrence, plus an additional $1.0 million annually in the aggregate. The estimated liability for claims incurred but unpaid at July 31, 2006 and October 31, 2005 was $204.0 million and $198.6 million, respectively. The Company retains an outside actuary to provide an actuarial estimate of its insurance reserves annually.

The self-insurance claims paid in the first nine months of 2006 and 2005 were $43.8 million and $45.8 million, respectively. Claim payments vary based on the frequency and/or severity of claims incurred and timing of the settlements and therefore may have an uneven impact on the Company's cash balances.

The Company is engaged in an evaluation of its legacy payroll system that could result in outsourcing its payroll in the early part of fiscal 2007. The implementation costs associated with replacing its payroll system with outsourcing services would be approximately $5.5 million, a major portion of which could be incurred in the last quarter of fiscal 2006.

The Company believes that the current cash and cash equivalents, cash generated from operations and the line of credit will be sufficient to meet the Company's cash requirements for the long term including cash required for acquisitions.

Insurance Claims Related to the Destruction of the World Trade Center in New York City on September 11, 2001

The Company had commercial insurance policies covering business interruption, property damage and other losses related to the World Trade Center complex in New York, which was the Company's largest single job-site at the time of its destruction on September 11, 2001 with annual Sales of approximately $75.0 million. The Company has been engaged in protracted litigation with Zurich Insurance Company ("Zurich"), its business interruption insurance carrier, to recover its losses of business profits. This litigation was settled on August 15, 2006 for $80.0 million.

Under Emerging Issues Task Force ("EITF") Issue No. 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001," the Company has not recognized any portion of this payment as income. Under Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies," such amounts can only be recognized as income in the period when any and all contingencies for that portion of the insurance claim have been resolved. The payment scheduled for receipt in September 2006 will, after legal and other expenses associated with the litigation, increase the Company's net income in its fourth quarter of 2006 by approximately $45.0 million or $0.90 per diluted share. Upon receipt of the settlement proceeds, the Company will have received from Zurich $95.2 million in accumulated payments for its commercial insurance policy covering business interruption, property damage, and other losses related to the World Trade Center complex.

Environmental Matters

The Company's operations are subject to various federal, state and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water and air, and the generation, handling, storage, transportation and disposal of waste and hazardous substances. These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of the Company's operations, although historically they have not had a material adverse effect on the Company's financial position, results of operations, or cash flows. In addition, from time to time the Company is involved in environmental issues at certain of its locations or in connection with its operations. While it is difficult to predict the ultimate outcome of any of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Off-Balance Sheet Arrangements

The Company is party to a variety of agreements under which it may be obligated to indemnify the other party for certain matters. Primarily, these agreements are standard indemnification arrangements in its ordinary course of business. Pursuant to these arrangements, the Company may agree to indemnify, hold harmless and reimburse the indemnified parties for losses suffered or incurred by the indemnified party, generally its customers, in connection with any claims arising out of the services that the Company provides. The Company also incurs costs to defend lawsuits or settle claims related to these indemnification arrangements and in most cases these costs are paid from its insurance program. The term of these indemnification arrangements is generally perpetual. Although the Company attempts to place limits on this indemnification reasonably related to the size of the contract, the maximum obligation is not always explicitly stated and, as a result, the maximum potential amount of future payments the Company could be required to make under these arrangements is not determinable.

ABM's certificate of incorporation and bylaws may require it to indemnify Company directors and officers against liabilities that may arise by reason of their status as such and to advance their expenses incurred as a result of any legal proceeding against them as to which they could be indemnified. ABM has also entered into indemnification agreements with its directors to this effect. The overall amount of these obligations cannot be reasonably estimated, however, the Company believes that any loss under these obligations would not have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company currently has directors' and officers' insurance, which has a deductible of up to $1.0 million.

Acquisitions

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. Acquisitions made during the nine months ended July 31, 2006 and 2005 are discussed in Note 8 of Notes to Consolidated Financial Statements.

Results of Continuing Operations

Three Months Ended July 31, 2006 vs. Three Months Ended July 31, 2005

	Three Months Ended July 31,				
($ in thousands)	2006	% of Sales	2005	% of Sales	Increase (Decrease)
			As Restated		
Revenues					
Sales and other income	$689,275	100.0%	$650,140	100.0%	6.0%
Total revenues	689,275	—	650,140	—	6.0%
Expenses					
Operating expenses and cost of goods sold	612,434	88.9%	572,759	88.1%	6.9%
Selling, general and administrative	48,428	7.0%	44,417	6.8%	9.0%
Intangible amortization	1,357	0.2%	1,430	0.2%	(5.1)%
Interest	122	—	220	—	(44.5)%
Total expenses	662,341	96.1%	618,826	95.2%	7.0%
Income from continuing operations before income taxes	26,934	3.9%	31,314	4.8%	(14.0)%
Income taxes	9,682	1.4%	10,720	1.6%	(9.7)%
Income from continuing operations	$ 17,252	2.5%	$ 20,594	3.2%	(16.2)%

Income from continuing operations. Income from continuing operations in the third quarter of 2006 decreased 16.2% to $17.3 million ($0.35 per diluted

share) from $20.6 million ($0.41 per diluted share) in the third quarter of 2005. This decrease is primarily attributable to lower Janitorial operating profits in the third quarter of 2006 than the third quarter of 2005 reflecting the one additional work day in the third quarter of 2006, which unfavorably impacted the Janitorial segment's fixed-price contracts by approximately $2.4 million pre-tax. As discussed in greater detail below, the third quarter of 2006 and 2005 included favorable adjustments of self-insurance reserves resulting from independent actuarial reports. These pre-tax adjustments to the beginning of the quarter reserves were $7.9 million in 2006 and $9.0 million in 2005. Income from continuing operations was also affected by $0.5 million pre-tax of share-based compensation costs, and increased personnel expenses as a result of annual salary increases and costs associated with increased staff. In addition, Forbes v. ABM was settled in the third quarter of 2005 for an amount lower than accrued, which increased income from continuing operations by $1.3 million pre-tax in the third quarter of 2005.

The 2006 actuarial report covering substantially all of the Company's self-insurance reserves was completed in the third quarter of 2006. The report showed favorable developments in the Company's California workers' compensation and general and auto liability claims, offset in part by adverse development in the Company's workers' compensation claims outside California, in each case as of May 31, 2006. Based on the 2006 actuarial report, the Company reduced its self-insurance reserves in the third quarter of 2006 by $7.9 million, which was attributable to the first six months of 2006 and prior years. This reduction was $1.1 million less than the $9.0 million reduction in the third quarter of 2005. Of the $7.9 million benefit in 2006, $4.7 million was recorded by Corporate while $3.2 million was allocated to the operating segments. Of the $9.0 million benefit in 2005, $5.5 million was recorded by Corporate and $3.5 million was allocated to the operating segments.

Sales and Other Income. Sales for the third quarter of 2006 of $689.3 million increased by $39.1 million or 6.0% from $650.1 million in the third quarter of 2005. Parking's reimbursements for out-of-pocket expenses from managed parking lot clients were $11.6 million higher in the third quarter of 2006 than the same quarter in 2005. Additionally, acquisitions completed in 2005 and the nine months ended July 31, 2006 contributed $4.4 million to the Sales increase. The remainder of the Sales increase was primarily due to new business mainly in Janitorial and Engineering.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit (Sales minus operating expenses and cost of goods sold) was 11.1% and 11.9% in the third quarter of 2006 and 2005, respectively. The decrease in margins was primarily due to one more work day in the third quarter of 2006 compared to the same period in 2005, which unfavorably impacted the fixed-price contracts in the Janitorial segment by approximately $2.4 million and the $11.6 million increase in reimbursements in 2006 for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the third quarter of 2006 were $48.4 million, compared to $44.4 million for the third quarter of 2005. The $4.0 million increase was primarily due to the $1.3 million decrease in the liability accrued for the Forbes v. ABM settlement in the third quarter of 2005, $0.8 million lower insurance benefit recorded by Corporate in the third quarter of 2006 ($4.7 million compared to $5.5 million in 2005), $0.5 million of share-based compensation costs with the adoption of SFAS No. 123R, "Share-Based Payment" ("SFAS No. 123R"), higher legal expenses in Corporate largely related to the World Trade Center claim, and increased personnel expenses as a result of annual salary increases and costs associated with increased staff.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was lower for the third quarter of 2006 compared to the third quarter of 2005 because the amortization of the initiation costs of the new line of credit, which are being amortized over its term of five years, is lower than the amortization of the initiation costs incurred for the old line of credit, which had a three-year term.

Income Taxes. The effective tax rate was 35.9% for the third quarter of 2006 compared to 34.2% for the third quarter of 2005. The estimated annual effective tax rate is 37.5% for 2006 and was 36.5% for 2005. The increase was primarily due to the effect of the non-deductible incentive stock option expense included in the 2006 pre-tax income and a higher estimated state income tax rate. A $1.1 million benefit mostly from the reversal of state tax liabilities for closed years was recorded in the third quarter of 2006, partially offset by a $0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns. A $0.3 million income tax benefit was recorded in the third quarter of 2005 principally from adjusting the income tax liability accounts after filing the 2004 income tax returns.

Segment Information. Under the criteria of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. Corporate expenses, including the Company’s share-based compensation costs, are not allocated.

($ in thousands)	Three Months Ended July 31, 2006	2005 As Restated	Better (Worse)
Sales and other income			
Janitorial	$395,872	$384,381	3.0%
Parking	115,719	102,767	12.6%
Security	77,404	74,702	3.6%
Engineering	71,665	60,882	17.7%
Lighting	28,097	26,877	4.5%
Corporate	518	531	(2.4)%
	$689,275	$650,140	6.0%
Operating profit			
Janitorial	$ 23,131	$ 25,165	(8.1)%
Parking	4,552	4,079	11.6%
Security	1,980	2,502	(20.9)%
Engineering	4,450	4,146	7.3%
Lighting	116	927	(87.5)%
Corporate	(7,173)	(5,285)	(35.7)%
Operating profit	27,056	31,534	(14.2)%
Gain on insurance claim	—	—	—
Interest expense	(122)	(220)	44.5%
Income from continuing operations before income taxes	$ 26,934	$ 31,314	(14.0)%

The results of operations from the Company’s segments for the quarter ended July 31, 2006, compared to the same period in 2005, are more fully described below.

Janitorial. Janitorial Sales increased $11.5 million, or 3.0%, in the third quarter of 2006 compared to the same quarter in 2005. The Sales increase is primarily attributable to additional Sales of $3.8 million from acquisitions in 2005 and the first nine months of 2006 including Brandywine on November 1, 2005, Initial Contract Services, Inc., Baltimore (“Initial Baltimore”) on August 3, 2005, and Colin Service Systems, Inc. (“Colin”) on December 22, 2004. Sales increased in the Northern California, Northwest, South Central, Southeast, Southwest and North Central regions due to new business, expansion of services to existing customers, and price adjustments to pass through a portion of union cost increases. These increases were partially offset by reductions in Sales from the loss of accounts in the Midwest and Northeast regions.

Operating profit decreased by $2.0 million, or 8.1%, in the third quarter of 2006 compared to the same quarter in 2005. The decrease is primarily attributable to one additional work day in the third

quarter of 2006 compared to the same quarter in 2005, adversely impacting fixed-price contracts by approximately $2.4 million. The comparable quarter in the prior year included a $1.3 million reversal of a legal reserve relating to the settlement of the Forbes v. ABM case positively impacting the results in that quarter. Operating profit in the third quarter of 2006 also included a $2.1 million benefit from the reduction of the self-insurance reserves compared to $2.2 million benefit in the same quarter of 2005.

Parking. Parking Sales increased by $13.0 million or 12.6% while operating profit increased $0.5 million, or 11.6%, during the third quarter of 2006, compared to the same quarter in 2005. The increase in Sales was primarily due to a $11.6 million increase in reimbursements for out-of-pocket expenses from managed parking lot clients and new contracts. These improvements were partially offset by the reduction in lease revenue principally due to the October 2005 sale of a leasehold interest in an off-airport facility that had contributed $2.0 million in Sales in the third quarter 2005. The increase in operating profit arising from the increase in Sales and $0.6 million of income from lease termination fees and legal settlements was partially offset by higher legal expenses and incremental costs associated with a new revenue control and reporting system implemented in July 2005. Operating profit for the third quarter of 2006 and 2005 also included $0.3 million insurance benefits from the reduction of insurance reserves**.**

Security. Security Sales increased $2.7 million, or 3.6%, in the third quarter of 2006, compared to the same quarter in 2005. This increase is primarily due to Sales from new business. Security Operating profit decreased $0.5 million, or 20.9%, in the third quarter of 2006 compared to the same quarter in 2005. This decrease was primarily attributable to increases in personnel and workers' compensation expenses, and bad debt expense as a result of customer bankruptcies, partially offset by a $1.0 million reduction of a reserve originally provided for the amount the Company believes it overpaid SSA LLC in connection with a subcontracting arrangement that was recorded in the first quarter of 2005. Operating profit for the third quarter of 2006 also included a $0.4 million insurance benefit from the reduction of insurance reserves compared to $0.5 million benefit in the same quarter of 2005.

Engineering. Engineering sales increased $10.8 million, or 17.7%, in the third quarter of 2006 compared to the same quarter in 2005 due to successful sales initiatives resulting in new business and the expansion of services to existing customers across the country, most significantly in the Northern California, Los Angeles, and Eastern regions. Operating profits increased $0.3 million, or 7.3%, during the third quarter of 2006 compared to the third quarter of 2005 primarily due to higher Sales, partially offset by higher selling, general and administrative expenses associated with increased management staff necessary to support the growth of the business. Operating profit for the third quarter of 2006 and 2005 also included $0.3 million insurance benefits from the reduction of insurance reserves.

Lighting. Lighting Sales increased $1.2 million, or 4.5%, while operating profit decreased $0.8 million, or 87.5%, in the third quarter of 2006 compared to the same quarter a year ago. The Sales increase was primarily due to an increase of fixed-price (long-term full service or maintenance only), and time and materials-based contracts, partially offset by a decrease in special projects business. The decrease in operating profit was primarily due to higher subcontractor and fuel costs, which negatively impacted fixed-price contracts. Operating profit for the third quarter of 2006 also included a $0.1 million insurance benefit from the reduction of insurance reserves compared to $0.2 million benefit in the same quarter of 2005.

Corporate. Corporate expenses in the third quarter of 2006 increased by $1.9 million or 35.7% compared to the same period of 2005. Of the increase, $0.8 million was attributable to the smaller reduction in insurance reserves in the third quarter of 2006 ($4.7 million) included in Corporate than in the third quarter of 2005 ($5.5 million). While virtually all insurance claims arise from the operating segments, these adjustment were included in unallocated Corporate expenses. Corporate expenses were also affected by $0.8 million in legal fees primarily related to the World Trade Center claim, $0.5 million of share-based compensation costs with the adoption of SFAS No. 123R, and, staffing-related

increases in the third quarter of 2006. These increases were partly offset by lower documentation and testing costs associated with the Sarbanes Oxley certification effort in the third quarter of 2006 compared to the same period in 2005.

Nine Months Ended July 31, 2006 vs. Nine Months Ended July 31, 2005

($ in thousands)	Nine Months Ended July 31, 2006	% of Sales	2005 As Restated	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	$2,015,984	100.0%	$1,927,860	100.0%	4.6%
Gain on insurance claim	—	—	1,195	—	—
Total revenues	2,015,984	—	1,929,055	—	4.5%
Expenses					
Operating expenses and cost of goods sold	1,810,932	89.8%	1,731,042	89.8%	4.6%
Selling, general and administrative	150,851	7.5%	142,855	7.4%	5.6%
Intangible amortization	4,428	0.2%	4,264	0.2%	3.8%
Interest	366	—	713	—	(48.7)%
Total expenses	1,966,577	97.5%	1,878,874	97.5%	4.7%
Income from continuing operations before income taxes	49,407	2.5%	50,181	2.6%	(1.5)%
Income taxes	17,773	0.9%	15,121	0.8%	17.5%
Income from continuing operations	$ 31,634	1.6%	$ 35,060	1.8%	(9.8)%

Income from continuing operations. Income from continuing operations for the first nine months of 2006 decreased 9.8% to $31.6 million from $35.1 million for the first nine months of 2005. The decrease was primarily due to $2.6 million pre-tax of share-based compensation costs, with the adoption of SFAS No. 123R effective November 1, 2005, and $2.4 million pre-tax of professional fees associated with the Audit Committee's independent investigation of prior year accounting at SSA. In addition, the operating profit of Lighting declined in the first nine months 2006, however, this decline was more than offset by the combined increases in the operating profits of Janitorial, Engineering, Security and Parking. Income from continuing operations in 2005 included a $5.0 million pre-tax litigation loss and a $3.4 million pre-tax charge for a reserve provided for the amount the Company believes it overpaid SSA LLC, which reserve was reduced by $1.0 million pre-tax in the third quarter of 2006. Also included in 2005 was $2.7 million of income tax benefit resulting from a state tax audit settlement and $1.2 million pre-tax gain on the World Trade Center indemnity payment.

Sales and Other Income. Sales in the first nine months of 2006 of $2,016.0 million increased by $88.1 million or 4.6% from $1,927.9 million in the first nine months of 2005. Acquisitions completed in fiscal year 2005 and the nine months ended July 31, 2006 contributed $23.5 million to the Sales increase. Additionally, Parking's reimbursements for out-of-pocket expenses from managed parking lot clients were $24.0 million higher. The remainder of the Sales increase was primarily due to new business primarily in Janitorial and Engineering.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit was 10.2% the first nine months of both 2006 and 2005. The flat margins were a result of lower insurance expense and higher margin contributions from Janitorial, Engineering and Parking, offset by higher overtime expenses, subcontracting costs, and lower margins on new contracts in Security and the $24.0 million higher reimbursements in 2006 for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in the first nine months of 2006 were $150.9 million, compared to $142.9 million in the first nine months of 2005. The increase was primarily due to $2.6 million of share-based compensation costs, $2.4 million of professional fees associated with the Audit Committee's independent investigation of prior year accounting at SSA, $1.3 million related to additional expenses from acquired companies, and annual

salary increases and additional legal costs. These increases were partially offset by lower documentation and testing costs in 2006 associated with the Sarbanes-Oxley certification effort in the first nine months of 2006 compared to the same period of 2005. In the first nine months of 2005, the Company recorded a $5.0 million pre-tax litigation loss and the $3.4 million charge for a reserve provided for the amount the Company believes it overpaid SSA LLC. The $3.4 million reserve was reduced by $1.0 million in the third quarter of 2006.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was 48.7% lower for the first nine months of 2006 compared to the first nine months of 2005 because the amortization of the initiation costs of the new line of credit, which are being amortized over its term of five years, is lower than the amortization of the initiation costs incurred for the old line of credit, which had a three-year term.

Income Taxes. The effective tax rates were 36.0% and 30.1% for the nine months ended July 31, 2006 and 2005, respectively. The estimated annual effective tax rate is 37.5% for 2006 and was 36.5% for 2005. The increase was primarily due to the effect of the non-deductible incentive stock option expense included in the 2006 pre-tax income and a higher estimated state income tax rate. A $2.7 million income tax benefit was recorded in the second quarter of 2005 resulting from the favorable settlement of the audit of prior years' state tax returns (tax years 2000 to 2003) in May 2005 and a $0.3 million income tax benefit was recorded in the third quarter of 2005 principally from adjusting the income tax liability accounts after filing the 2004 income tax returns. A $1.1 million benefit mostly from the reversal of state tax liabilities for closed years was recorded in the third quarter of 2006, partially offset by a $0.7 million tax expense from adjusting the income tax liability accounts after filing the 2005 tax returns. A $0.3 million income tax benefit was recorded in the first quarter of 2006 from the increase in deferred tax assets due to an increase in the estimated overall state income tax rate.

Segment Information.

($ in thousands)	Nine Months Ended July 31, 2006	2005 As Restated	Better (Worse)
Sales and other income			
Janitorial	$1,164,830	$1,141,961	2.0%
Parking	327,503	303,073	8.1%
Security	230,978	220,465	4.8%
Engineering	206,705	176,057	17.4%
Lighting	84,241	85,080	(1.0)%
Corporate	1,727	1,224	41.1%
	$2,015,984	$1,927,860	4.6%
Operating profit			
Janitorial	$ 58,786	$ 47,795	23.0%
Parking	9,202	8,915	3.2%
Security	2,442	1,856	31.6%
Engineering	11,400	10,327	10.4%
Lighting	700	2,421	(71.1)%
Corporate	(32,757)	(21,615)	(51.5)%
Operating profit	49,773	49,699	0.1%
Gain on insurance claim	—	1,195	—
Interest expense	(366)	(713)	48.7%
Income from continuing operations before income taxes	$ 49,407	$ 50,181	(1.5)%

The results of operations from the Company's segments for the nine months ended July 31, 2006, compared to the same period in 2005, are more fully described below.

Janitorial. Janitorial Sales increased by $22.9 million, or 2.0%, in the first nine months of 2006 compared to same period in 2005. The Sales increase is primarily attributable to additional Sales of $20.2 million from acquisitions in 2005 and the first nine months of 2006 including Brandywine, Initial Baltimore and Colin. Sales increased in the Northern California, Northwest, North Central and Southwest regions due to new business, expansion of services to existing customers, and price adjustments to pass through a portion of union cost increases. These increases were partially offset by reductions in Sales from the loss of accounts in the Midwest and Northeast regions.

Operating profit increased by $11.0 million, or 23.0%, in the first nine months of 2006 compared to the same period in 2005, $5.0 million of which was attributable to a settlement of Forbes v. ABM that reduced operating profits in the first nine months of 2005. The Brandywine, Initial Baltimore and Colin acquisitions contributed $0.9 million additional profit. Janitorial also recorded higher Sales and improved margins from the Northern California, Northwest, South Central and Southwest regions. These improvements were offset by lower profit in the Midwest caused by scope reductions and loss of accounts.

Parking. Parking Sales increased by $24.4 million or 8.1%, while operating profit increased $0.3 million, or 3.2%, during the first nine months of 2006 as compared to the same period of 2005. The increase in Sales was primarily due to a $24.0 million increase in reimbursements for out-of-pocket expenses from managed parking lot clients and new contracts. These improvements were partially offset by a reduction in lease revenue principally due to the October 2005 sale of a leasehold interest in an off-airport facility that had contributed $5.3 million in Sales in the first nine months of 2005. The increase in operating profit was due to higher net Sales of $2.5 million and an aggregate of $0.6 million of income from lease termination fees and legal settlements, partially offset by $2.2 million of increased general and administrative costs which included higher legal expenses, and increased costs associated with operating a new revenue control and reporting system.

Security. Security Sales increased $10.5 million, or 4.8%, in the first nine months of 2006 compared to the same period in 2005, primarily due to Sales from new business, which was partially offset by lost Sales associated with the loss of a major customer account in June 2005.

Security Operating profit increased $0.6 million, or 31.6%, in the first nine months of 2006 compared to the same period in 2005. The improvement in operating profit was primarily due to the inclusion in the first nine months of 2005 of a $3.4 million charge for a reserve provided for the amount the Company believes it overpaid SSA LLC, of which a $1.0 million reduction was reflected in the third quarter of 2006. Also included in 2005 was a $0.4 million bad debt provision for a customer that declared bankruptcy in April 2005 and a $0.3 million charge to correct the understatement of payroll and payroll-related 2004 expenses. Partially offsetting these increases were higher overtime expenses in 2005 related to operations acquired from SSA LLC, lower margins on new contracts, annual salary increases and increases in workers' compensation expense, legal fees and settlements.

Engineering. Engineering sales increased $30.6 million, or 17.4%, during the first nine months of 2006 compared to the first nine months of 2005 due to successful sales initiatives resulting in new business and the expansion of services to existing customers across the country, most significantly in the Mid-Atlantic, Northern California, and Eastern regions. Operating profits increased $1.1 million, or 10.4%, during the first nine months of 2006 compared to the first nine months of 2005, primarily due to higher Sales, partially offset by higher selling, general and administrative expenses associated with increased management staff necessary to support the growth in business.

Lighting. Lighting Sales decreased $0.8 million, or 1.0%, and operating profit decreased $1.7 million, or 71.1%, in the nine months of 2006 compared to the same period in 2005. The Sales decrease was primarily due to decreased special project business, partially offset by an increase in fixed-price (long-term full service or maintenance only), time and materials based contracts. The decrease in operating profit was primarily due to higher subcontractor and fuel costs, which negatively impacted fixed price contracts.

Corporate. Corporate expenses for the first nine months of 2006 increased by $11.1 million or 51.5% compared to the same period of 2005 mainly due to $2.6 million of share-based compensation costs, $2.4 million of professional fees associated with the Audit Committee's independent investigation of prior year accounting at SSA completed in the second quarter of 2006, annual salary increases, costs of additional staffing, and higher legal fees. These increases were partially offset by lower documentation and testing costs in 2006 associated with the Sarbanes-Oxley certification effort in the first nine months of 2006 compared to the same period of 2005. In addition, $0.8 million of the increase was attributable to the smaller reduction in insurance reserves in the first nine months of 2006 ($4.7 million) in Corporate than in first nine months of 2005 ($5.5 million). While virtually all insurance claims arise from the operating segments, these adjustment were included in unallocated Corporate expenses.

Share-Based Compensation

Effective November 1, 2005, the Company began recording compensation expense associated with stock options in accordance with SFAS No. 123R as interpreted by SEC Staff Accounting Bulletin No. 107 ("SAB No. 107"). Prior to November 1, 2005, the Company accounted for stock options according to the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS No. 123R, and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with stock options recognized in the first nine months of 2006 included: 1) amortization related to the remaining unvested portion of all stock option awards granted for the fiscal years beginning November 1, 1995 and ending October 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation;" and 2) amortization related to all stock option awards granted November 1, 2005 or after, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R. The compensation cost is included in selling, general and administrative expenses.

The compensation cost and related income tax benefit recognized in the Company's consolidated financial statements for the three months ended July 31, 2006 for stock options were $0.5 million and $0.2 million, respectively, and for the nine months ended July 31, 2006 were $2.6 million and $0.5 million, respectively. As of July 31, 2006, there was $7.4 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested options which is expected to be recognized over a weighted-average vesting period of 3.0 years.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option valuation model. The Company uses an outside expert to determine the assumptions used in the option valuation model. The Company estimates option forfeitures based on historical data and adjusts the forfeiture rate periodically. The adjustment of the forfeiture rate will result in a cumulative catch-up adjustment in any period the forfeiture rate estimate is changed. During the nine months ended July 31, 2006, no adjustment was necessary.

On May 2, 2006, the shareholders of ABM approved the 2006 Equity Incentive Plan (the "2006 Equity Plan"), which replaced the Time-Vested Incentive Stock Option Plan, the 1996 Price-Vested Performance Stock Option Plan and the 2002 Price-Vested Performance Stock Option Plan (collectively, the "Prior Plans"), all in advance of their expirations. The purpose of the 2006 Equity Plan is to provide stock-based compensation to employees and directors to promote close alignment among the interests of employees, directors and shareholders. The 2006 Equity Plan provides for the issuance of awards for 2.5 million shares of the Company's common stock plus the remaining shares authorized under the Prior Plans as of May 2, 2006, plus forfeitures, under the Prior Plans after that date. The terms and conditions governing existing options under the Time-Vested Incentive Stock Option Plan, the 1996 Price-Vested Performance Stock Option Plan and the 2002 Price-Vested Performance Stock Option Plan will continue

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to apply to the outstanding options made under those plans. The 2006 Equity Plan is an "omnibus" plan that provides for a variety of equity and equity-based award vehicles, including stock options, stock appreciation rights, restricted stock, restricted stock unit awards, performance shares, and other share-based awards. Shares subject to awards that terminate without vesting or exercise may be reissued. Certain of the awards available under the 2006 Equity Plan will qualify as "performance-based" compensation under Internal Revenue Code Section 162(m) ("Section 162(m)").

On March 7, 2006, the Board of Directors of ABM amended the 2004 Employee Stock Purchase Plan, effective May 1, 2006. The plan had provided that the participant's purchase price would be 85% of the lower of the fair market value of ABM's common stock on the first day of each six-month period in the fiscal year or the last trading day of each month. Effective as of May 1, 2006, the purchase price is 95% of the fair market value of ABM's common stock on the last trading day of each month.

Results from Discontinued Operations

On June 2, 2005, the Company sold substantially all of the operating assets of CommAir Mechanical Services, which represented the Company's Mechanical segment, to Carrier Corporation ("Carrier"). The operating assets sold included customer contracts, accounts receivable, inventories, facility leases and other assets, as well as rights to the name "CommAir Mechanical Services." The consideration paid was $32.0 million in cash, subject to certain adjustments, and Carrier's assumption of trade payables and accrued liabilities. The Company realized a pre-tax gain of $21.4 million ($13.1 million after tax) on the sale of these assets in the third quarter of 2005.

On July 31, 2005, the Company sold the remaining operating assets of Mechanical, consisting of its water treatment business, to San Joaquin Chemicals, Incorporated for $0.5 million, of which $0.25 million was in the form of a note, which was paid off in October 2005, and $0.25 million in cash. The operating assets sold included customer contracts and inventories. The Company realized a pre-tax gain of $0.3 million ($0.2 million after tax) on the sale of these assets in the third quarter of 2005.

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc., which represented the Company's Elevator segment, to Otis Elevator Company. In June 2005, the Company settled litigation that arose from and was directly related to the operations of Elevator prior to its disposal. An estimated liability had been recorded on the date of disposal. The settlement amount was less than the estimated liability by $0.2 million, pre-tax. This difference was recorded as income from discontinued operations in 2005. In addition, $0.9 million benefit was recorded in gain on sale of discontinued operations in the third quarter of 2005, which resulted from the correction of the overstatement of income taxes provided for the gain on sale of assets of the Elevator segment.

The operating results of Mechanical for the three and nine months ended July 31, 2005 and the Elevator adjustments are shown below:

(In thousands)	Three Months Ended July 31, 2005	Nine Months Ended July 31, 2005
Revenues	$4,472	$24,775
(Loss) income before income taxes	$ (21)	$ 383
Income taxes	(6)	150
(Loss) income from discontinued operations, net of income taxes	$ (15)	$ 233

Adoption of Accounting Standards

Effective November 1, 2005, the Company began recording compensation expense associated with stock options in accordance with SFAS No. 123R, as interpreted by SAB No. 107. For more details, see “Share-Based Compensation” section above.

In May 2005, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 154, “Accounting Changes and Error Corrections” (“SFAS No. 154”). SFAS No. 154 replaces APB Opinion No. 20, “Accounting Changes” (“Opinion No. 20”) and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements.” SFAS No. 154 applies to all voluntary changes in accounting principles, and changes the requirements for accounting for and reporting of a change in accounting principles. SFAS No. 154 requires retrospective application to prior periods’ financial statements of a voluntary change in accounting principles unless it is impracticable. Opinion No. 20 previously required that most voluntary changes in accounting principles be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 also requires that a change in method of depreciation, amortization or depletion for long-lived, nonfinancial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. Opinion No. 20 previously required that such a change be reported as a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Earlier application is permitted for accounting changes and corrections of errors made in fiscal years beginning after June 1, 2005. The Company began to apply SFAS No. 154 effective November 1, 2005.

In October 2005, the FASB issued FASB Staff Position (“FSP”) No. FAS 13-1, “Accounting for Rental Costs Incurred during a Construction Period.” FSP No. FAS 13-1 provides guidance for the treatment of rental expense incurred during a construction period. The guidance in FSP No. FAS 13-1 prohibits the capitalization of rental expense as leasehold improvement costs. The Company adopted FSP No. FAS 13-1 effective February 1, 2006. The adoption did not have a material impact on the Company’s financial position, results of operations or liquidity.

Recent Accounting Pronouncements

In June 2006, the FASB issued EITF No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement” (“EITF 06-3”). EITF 06-3 requires companies to disclose the presentation of any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer (e.g. sales and use tax) as either gross or net in the accounting principles included in the notes to the financial statements. EITF 06-3 will be effective beginning with the second quarter of 2007.

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

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, sales allowance, valuation allowance for the net deferred income tax asset, estimate of useful life of intangible assets, impairment of goodwill and other intangibles, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, independent valuations and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of

assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies govern its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Self-Insurance Reserves. Certain insurable risks such as general liability, automobile property damage and workers' compensation are self-insured by the Company. However, commercial policies are obtained to provide coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis. The Company uses an independent actuary to evaluate the Company's estimated claim costs and liabilities annually and accrues self-insurance reserves in an amount that is equal to the actuarial point estimate.

Using the annual actuarial report, management develops annual insurance costs for each operation, expressed as a rate per $100 of exposure (labor and revenue) to estimate insurance costs. Additionally, management monitors new claims and claim development to assess the adequacy of the insurance reserves. The estimated future charge is intended to reflect the recent experience and trends. Trend analysis is complex and highly subjective. The interpretation of trends requires the knowledge of all factors affecting the trends that may or may not be reflective of adverse developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). If the trends suggest that the frequency or severity of claims incurred increased, the Company might be required to record additional expenses for self-insurance liabilities. Additionally, the Company uses third party service providers to administer its claims and the performance of the service providers and transfers between administrators can impact the cost of claims and accordingly the amounts reflected in insurance reserves.

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

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

Deferred Income Tax Asset and Valuation Allowance. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If the enacted rates in future years differ from the rates expected to apply, an adjustment of the net deferred tax assets will be required. Additionally, if management determines it is more likely than not that a portion of the net deferred tax asset will not be realized, a

valuation allowance is recorded. At July 31, 2006, the net deferred tax asset was $89.7 million, net of a $0.8 million valuation allowance related to state net operating loss carryforwards. Should future income be less than anticipated, the net deferred tax asset may not be fully recoverable.

Other Intangible Assets Other Than Goodwill. The Company engages a third party valuation firm to independently appraise the value of intangible assets acquired in larger sized business combinations. For smaller acquisitions, the Company performs an internal valuation of the intangible assets using the discounted cash flow technique. Acquired customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible asset are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are being amortized over the contract periods using the straight-line method. At least annually, in the fourth quarter, the Company evaluates the remaining useful lives of its intangible assets to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an asset's remaining useful life changes, the remaining carrying amount of the intangible asset would be amortized over the revised remaining useful life. Furthermore, the remaining unamortized book value of intangibles will be reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS No. 144"). The first step of an impairment test under SFAS No. 144 is a comparison of the future cash flows, undiscounted, to the remaining book value of the intangible. If the future cash flows are insufficient to recover the remaining book value, a fair value of the asset, depending on its size, will be independently or internally determined and compared to the book value to determine if an impairment exists.

Goodwill. In accordance with SFAS No. 142, "Goodwill and Other Intangibles" ("SFAS No. 142") goodwill is no longer amortized. Rather, the Company performs goodwill impairment tests on at least an annual basis, in the fourth quarter, using the two-step process prescribed in SFAS No. 142. The first step is to evaluate for potential impairment by comparing the reporting unit's fair value with its book value. If the first step indicates potential impairment, the required second step allocates the fair value of the reporting unit to its assets and liabilities, including recognized and unrecognized intangibles. If the implied fair value of the reporting unit's goodwill is lower than its carrying amount, goodwill is impaired and written down to its implied fair value. The fair value of the reporting unit, if required to be determined, will be independently appraised. As of July 31, 2006, no impairment of the Company's goodwill carrying value has been indicated.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. Substantially all of the operations of the Company are conducted in the United States, and, as such, are not subject to material foreign currency exchange rate risk. At July 31, 2006, the Company had no outstanding long-term debt. Although the Company's assets included $51.5 million in

cash and cash equivalents at July 31, 2006, market rate risk associated with changing interest rates in the United States is not material.

Item 4. Controls and Procedures

a. Disclosure Controls and Procedures. The Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 (the "Exchange Act") are designed to provide reasonable assurance that the information required to be disclosed in the reports that the Company 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 SEC. The Company's disclosure controls and procedures are also 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. As disclosed in the Company's Annual Report on Form 10-K for 2005 and Quarterly Report on Form 10-Q for the first and second quarters of 2006, the Company's principal executive officer and principal financial officer concluded that, as a result of material weaknesses in its internal control over financial reporting pertaining to the operations acquired from SSA LLC in March 2004 in the Company's Security segment, the Company's disclosure controls and procedures were not effective at year end 2005 and the end of the first two quarters of 2006.

The Company's principal executive officer and principal financial officer again evaluated the Company's disclosure controls and procedures as of July 31, 2006, the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, and reflecting that the Company has not been able to confirm the effectiveness of the internal control enhancements undertaken to remediate the material weaknesses, these officers concluded that the Company's disclosure controls and procedures were not effective as of July 31, 2006.

b. Changes in Internal Control Over Financial Reporting. In Item 9A of the Company's Annual Report on Form 10-K for the year ended October 31, 2005, the Company set forth material weaknesses associated with the operations acquired from SSA LLC and actions to be taken to remediate these weakness. The Company took significant steps in the first two quarters of 2006 to remediate these material weaknesses in its internal control over reporting. These remediation activities are described under Item 4, Controls and Procedures, in the Company's Quarterly Reports on Form 10-Q for the first and second quarters of 2006. However, the Company cannot confirm the effectiveness of the internal control enhancements until it has conducted sufficient testing. The Company will continue to monitor and test the effectiveness of these new processes, procedures and controls and will make any further changes that management deems appropriate. There was no change in the Company's internal control over financial reporting in the third quarter of 2006 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.OTHER INFORMATION

Item 1. Legal Proceedings

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

On July 12, 2005, a purported class action lawsuit entitled Augustus v. American Commercial Security Services ("ACSS") was filed in the Superior Court of California, Los Angeles County. The potential class consists of all ACSS security guards in California. The plaintiff alleges that ACSS failed to provide meal breaks and rest breaks under California's wage and hour laws. On February 23, 2006, a second purported class action lawsuit was filed by the same named plaintiff in the same forum representing the same class and alleging violations of California's wage and hour laws and unfair

business practices. ACSS and ABM are investigating these claims and will defend these lawsuits vigorously. It is too early to assess the amount of potential losses in these matters, if any.

On August 15, 2006, the Company settled for $80 million its previously reported litigation against its business interruption carrier, Zurich, for losses related to the destruction of the World Trade Center complex in New York, which was the Company's largest single job-site at the time of its destruction on September 11, 2001. The settlement payment is scheduled for receipt in September 2006.

The Company uses an independent actuary to evaluate the Company's estimated claim costs and liabilities at least annually. The 2004 actuarial report completed in November 2004 indicated that there were adverse developments in the Company's insurance reserves primarily related to workers' compensation claims in the State of California during the four-year period ended October 31, 2003, for which the Company recorded a charge of $17.2 million in the fourth quarter of 2004. The Company believes a substantial portion of the $17.2 million, as well as other costs incurred by the Company in its insurance claims was related to poor claims management by a third party administrator that no longer performs these services for the Company. In addition, the Company believes that poor claims administration in certain other states, particularly New York, led to higher costs for the Company. The Company has filed a claim against its former third party administrator for its damages related to claims mismanagement. The Company is actively pursing this claim, which is subject to arbitration in accordance with the rules of the American Arbitration Association. The three-person arbitration panel has been designated and discovery is underway, including examination of a sample of claims by insurance experts.

In August 2005, ABM filed an action for declaratory relief, breach of contract and breach of the implied covenant of good faith and fair dealing in U.S. District Court in The Northern District of California against its insurance carriers, Zurich American Insurance Company ("Zurich American") and National Union Fire Insurance Company relating to the carriers' failure to provide coverage for ABM and one of its Parking subsidiaries. The Company and Zurich American verbally agreed to settle the Company's claims against Zurich American for $400,000. Zurich American had provided insurance coverage up to $1 million, subject to the Company's $150,000 retention. National Union has filed a motion for summary adjudication on the issue of the duty to defend. ABM's claim includes "bad faith" allegations based upon the settlement of the underlying litigation with IAH-JFK Airport Parking Co., LLC in early 2006. ABM seeks to recover legal fees and $6.3 million in settlement costs in the underlying litigation.

While the Company accrues amounts it believes are adequate to address any liabilities related to litigation that the Company believes will result in a probable loss, the ultimate resolution of such matters is always uncertain. It is possible that litigation or other proceedings brought against the Company in the future could have a material adverse impact on its financial condition and results of operations.

Item 1A. Risk Factors

Factors That May Affect Future Results

(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

The disclosure and analysis in this Quarterly Report on Form 10-Q contain some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, the Company also provides forward-looking statements in other written materials released to the public, as well as oral forward-looking statements. Such statements give the Company's current expectations or forecasts of future events; they do not relate strictly to historical or current facts. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, and the outcome of contingencies and other uncertainties, such as legal proceedings, and financial results. Management tries, wherever possible, to identify such statements by using words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project" and similar expressions.

Set forth below are factors that the Company thinks, individually or in the aggregate, could cause the Company's actual results to differ materially from past results or those anticipated, estimated or projected. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Investors should understand that it is not possible to predict or identify all such factors. Consequently, the following should not be considered to be a complete list of all potential risks or uncertainties.

Timeliness of remediation of material weakness in the Company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 could affect the Company's results. As disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2005, the principal executive officer and principal financial officer of the Company concluded that the Company's internal control over financial reporting was not effective as of October 31, 2005 because of material weaknesses related to the Company's controls over and at the operations the Company acquired in March 2004 from Security Services of America, LLC, included as a subsidiary within the Company's Security segment. While during the second quarter of fiscal year 2006 the Company implemented most of the remediation actions it has thus far determined to take to address the material weaknesses that caused the Company's internal control over financial reporting to be deemed not effective at October 31, 2005, they will not be considered fully remediated until the improved internal controls operate for a period of time and, through testing, are deemed to be operating effectively.

A change in the frequency or severity of claims against the Company, a deterioration in claims management, or the cancellation or non-renewal of the Company's primary insurance policies could adversely affect the Company's results. While the Company attempts to establish adequate self-insurance reserves using actuarial studies, unanticipated increases in the frequency or severity of claims against the Company would have an adverse financial impact. Also, where the Company self-insures, a deterioration in claims management, whether by the Company or by a third party claims administrator, could lead to delays in settling claims thereby increasing claim costs, particularly in the workers' compensation area. In addition, catastrophic uninsured claims against the Company or the inability or refusal of the Company's insurance carriers to pay otherwise insured claims would have a material adverse financial impact on the Company.

Furthermore, many customers, particularly institutional owners and large property management companies, prefer to do business with contractors, such as the Company, with significant financial resources, who can provide substantial insurance coverage. Should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, this loss would have an adverse impact on the Company's business.

A change in actuarial analysis could affect the Company's results. The Company uses an independent actuary to evaluate estimated claim costs and liabilities at least annually to ensure that its self-insurance reserves are appropriate. Trend analysis is complex and highly subjective. The interpretation of trends requires the knowledge of all factors affecting the trends that may or may not be reflective of adverse developments (*e.g.*, changes in regulatory requirements and changes in reserving methodology). Actuaries may vary in the manner in which they derive their estimates and these differences could lead to variations in actuarial estimates that cause changes in the Company's insurance reserves not related to changes in its claims experience. Changes in insurance reserves as a result of an actuarial review can cause swings in operating results that are unrelated to the Company's ongoing business. In addition, because of the time required for the actuarial analysis, the Company may not learn of a deterioration in claims, particularly claims administered by a third party, until additional costs have been incurred or are projected. Because the Company bases its pricing in part on its estimated insurance costs, the Company's prices could be higher or lower than they otherwise might be if better information were available resulting in a competitive disadvantage in the former case and reduced margins or unprofitable contracts in the latter.

The Company's technology environment may be inadequate to support growth. Although the Company employs a centralized accounting system, the Company relies on a number of legacy

information technology systems, as well as manual processes, to conduct its operations. These systems and processes may be unable to provide adequate support for the business and create additional reliance upon manual rather than system controls, particularly as the Company expands. This could result, for instance, in delays in meeting payroll obligations, in difficulty calculating and tracking appropriate withholding of governmental withholding and other payroll regulatory obligations, and in higher internal and external expenses to work around these systems. Additionally, the current technology environment may be unable to support the integration of acquired businesses and anticipated internal growth. The Company is engaged in an evaluation of its information technology systems, including its legacy payroll system, its centralized information technology infrastructure and desktop environment, and its accounting and financial system and is negotiating the outsourcing of a number of its technology functions. The Company believes that outsourcing may improve its technology systems, permit the reduction of costs and increase the predictability of costs and delivery and enhance disaster recovery and business continuity. The risks associated with outsourcing include the dependence upon a third party for essential aspects of the Company's business and potentially less control over costs associated with necessary systems, as well as potentially less responsiveness from vendors than employees.

The Company could experience labor disputes that could lead to loss of sales or expense variations. At July 31, 2006, approximately 40% of the Company's employees were subject to various local collective bargaining agreements. Some collective bargaining agreements will expire or become subject to renegotiation during fiscal year 2006. In addition, the Company may face union organizing drives in certain cities. When one or more of the Company's major collective bargaining agreements becomes subject to renegotiation or when the Company faces union organizing drives, the Company and the union may disagree on important issues which, in turn, could lead to a strike, work slowdown or other job actions at one or more of the Company's locations. A strike, work slowdown or other job action could in some cases disrupt the Company from providing its services, resulting in reduced revenue collection. If declines in customer service occur or if the Company's customers are targeted for sympathy strikes by other unionized workers during union organizing drives, contract cancellations could result. In other cases, a strike, work slowdown or other job action could lead to lower expenses due to fewer employees performing services. Alternatively, the result of renegotiating a collective bargaining agreement could be a substantial increase in labor and benefits expenses that the Company could be unable to pass through to its customers for some period of time, if at all.

Acquisition activity could slow or be unsuccessful. A significant portion of the Company's historic growth has come through acquisitions and the Company expects to continue to acquire businesses in the future as part of its growth strategy. A slowdown in acquisitions could lead to a slower growth rate. Because new contracts frequently involve start-up costs, sales associated with acquired operations generally have higher margins than new sales associated with internal growth. Therefore a slowdown in acquisition activity could lead to constant or lower margins, as well as lower revenue growth. There can be no assurance that any acquisition that the Company makes in the future will provide the Company with the benefits that were anticipated when entering the transaction. The process of integrating an acquired business may create unforeseen difficulties and expenses. The areas in which the Company may face risks include:

- Diversion of management time and focus from operating the business to acquisition integration;
- Inability to retain employees from businesses the Company acquires;
- Inability to maintain relationships with customers of the acquired business;
- The need to implement or improve internal controls, procedures and policies appropriate for a public company at businesses that prior to the acquisition lacked these controls, procedures and policies;
- The need to integrate acquired businesses' accounting, management information, human resources and other administrative systems to permit effective management;
- Write-offs or impairment charges relating to goodwill and other intangible assets from acquisitions; and

- Unanticipated or unknown liabilities relating to acquired businesses.

A decline in commercial office building occupancy and rental rates could affect the Company's sales and profitability. The Company's sales directly depend on commercial real estate occupancy levels and the rental income of building owners. Decreases in occupancy levels and rental income reduce demand and also create pricing pressures on building maintenance and other services provided by the Company. In certain geographic areas and service segments, the Company's most profitable sales are known as tag jobs, which are services performed for tenants in buildings in which it performs building services for the property owner or management company. A decline in occupancy rates could result in a decline in fees paid by landlords, as well as tenant work, which would lower sales and margins. In addition, in those areas of its business where the Company's workers are unionized, decreases in sales can be accompanied by relative increases in labor costs if the Company is obligated by collective bargaining agreements to retain workers with seniority and consequently higher compensation levels and cannot pass through these costs to customers.

Weakness in airline travel and the hospitality industry could adversely affect the results of the Company's Parking segment. A significant portion of the Company's Parking sales is tied to the numbers of airline passengers and hotel guests. Parking results were adversely affected after the terrorist attacks of September 11, 2001, during the Severe Acute Respiratory Syndrome ("SARS") crisis and at the start of the military conflict in Iraq as people curtailed both business and personal travel and hotel occupancy rates declined. As airport security precautions expanded, the decline in travel was particularly noticeable at airports associated with shorter flights for which ground transportation became the alternative. While it appears that airline travel and the hospitality industry have recovered, there can be no assurance that increased concerns about terrorism, increased airport and luggage restrictions, disease (including avian flu), or other adversities will not again reduce travel, adversely impacting Parking sales and operating profits.

The financial difficulties or bankruptcy of one or more of the Company's major customers could adversely affect results. The Company's ability to collect its accounts receivable and future sales depend, in part, on the financial strength of its customers. The Company estimates an allowance for accounts it does not consider collectible and this allowance adversely impacts profitability. In the event customers experience financial difficulty, and particularly if bankruptcy results, profitability is further impacted by the Company's failure to collect accounts receivable in excess of the estimated allowance. Additionally, the Company's future sales would be reduced.

The Company's success depends on its ability to preserve its long-term relationships with its customers. The Company's contracts with its customers can generally be terminated upon relatively short notice. However, the business associated with long-term relationships is generally more profitable than that from short-term relationships because the Company incurs start-up costs with many new contracts, particularly for training, operating equipment and uniforms. Once these costs are expensed or fully depreciated over the appropriate periods, the underlying contracts become more profitable. Therefore, the Company's loss of long-term customers could have an adverse impact on its profitability even if the Company generates equivalent sales from new customers.

The Company is subject to intense competition. The Company believes that each aspect of its business is highly competitive, and that such competition is based primarily on price and quality of service. The Company provides nearly all its services under contracts originally obtained through competitive bidding. The low cost of entry to the facility services business has led to strongly competitive markets made up of large numbers of mostly regional and local owner-operated companies, located in hundreds of cities throughout the United States as well as in certain cities in British Columbia, Canada (with particularly intense competition in the janitorial business in the Southeast and South Central regions of the United States). The Company also competes with the operating divisions of a few large, diversified facility services and manufacturing companies on a national basis. Indirectly, the Company competes with building owners and tenants that can perform internally one or more of the services provided by the Company. These building owners and tenants might have a competitive advantage when the Company's services are subject to sales tax and internal operations are not. Furthermore, competitors may have

lower costs because privately owned companies operating in a limited geographic area may have significantly lower labor and overhead costs. These strong competitive pressures could inhibit the Company's success in bidding for profitable business and its ability to increase prices even as costs rise, thereby reducing margins.

An increase in costs that the Company cannot pass on to customers could affect profitability. The Company attempts to negotiate contracts under which its customers agree to pay for increases in certain underlying costs associated with providing its services, particularly labor costs, workers' compensation and other insurance costs, any applicable payroll taxes and fuel costs. If the Company cannot pass through increases in its costs to its customers under its contracts in a timely manner or at all, then the Company's expenses will increase without a corresponding increase in sales. Further, if the Company's sales decline, the Company may not be able to reduce its expenses correspondingly or at all.

Natural disasters or acts of terrorism could disrupt the Company in providing services. Storms, earthquakes, or other natural disasters or acts of terrorism may result in reduced sales or property damage. Disasters may also cause economic dislocations throughout the country. In addition, natural disasters or acts of terrorism may increase the volatility of the Company's results, either due to increased costs caused by the disaster with partial or no corresponding compensation from customers, or, alternatively, increased sales and profitability related to tag jobs, special projects and other higher margin work necessitated by the disaster.

The Company incurs significant accounting and other control costs that reduce its profitability. As a publicly traded corporation, the Company incurs certain costs to comply with regulatory requirements. The process of attempting to meet the internal control over financial reporting certification requirement of Section 404 of the Sarbanes-Oxley Act of 2002 was more costly than anticipated, requiring additional personnel and outside advisory services as well as additional accounting and legal expenses. The Company anticipates capital expenditures and operating expenses associated with the remediation of its material weaknesses and other planned remediation actions and with implementation of system-provided internal controls which is continuing in 2006.

Most of the Company's competitors are privately owned so these costs can be a competitive disadvantage for the Company. Should the Company's sales decline or if the Company is unsuccessful at increasing prices to cover higher expenditures for internal controls and audits, its costs associated with regulatory compliance will rise as a percentage of sales.

Other issues and uncertainties may include:

- new accounting pronouncements or changes in accounting policies,
- labor shortages that adversely affect the Company's ability to employ entry level personnel,
- legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers,
- unanticipated adverse jury determinations, judicial rulings or other developments in litigation to which the Company is subject,
- a reduction or revocation of the Company's line of credit that could increase interest expense and the cost of capital,
- the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company.

The Company believes that it has the human and financial resources for business success, but future profit and cash flow can be adversely (or advantageously) influenced by a number of factors, including those listed above, any and all of which are inherently difficult to forecast. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

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

(c) Stock Repurchases

On March 29, 2006, ABM's Board of Directors authorized the purchase of up to 2,000,000 shares of ABM's outstanding common stock at any time through October 31, 2006. No stock repurchases were made in the third quarter of 2006. At July 31, 2006, 1,200,000 shares may yet be purchased under ABM's stock repurchase program.

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Stockholders was held on May 2, 2006.

(b) The following directors were elected by a vote of stockholders, each to serve for a term ending at the annual meeting in the year 2009: Linda L. Chavez, Theodore T. Rosenberg and Henrik C. Slipsager.

The following directors remained in office: Luke S. Helms, Maryellen C. Herringer, Charles T. Horngren, Henry L. Kotkins, Jr., Martinn H. Mandles and William W. Steele.

(c) The following matters were voted upon at the meeting:

(1) Proposal 1 – Election of Directors

Nominee	For	Withheld
Linda L. Chavez	39,980,407	2,099,161
Theodore T. Rosenberg	40,175,234	1,904,334
Henrik C. Slipsager	31,467,409	10,612,159

(2) Proposal 2 – Approval of the 2006 Equity Incentive Plan

For	Against	Abstentions	Broker Non-Votes
20,892,718	17,311,157	1,069,541	2,806,152

(3) Proposal 3 – Approval of the Executive Officer Incentive Plan

For	Against	Abstentions	Broker Non-Votes
32,283,796	5,854,914	1,134,706	2,806,152

(4) Proposal 4 – Ratification of KPMG LLP as Independent Registered Public Accounting Firm

For	Against	Abstentions	Broker Non-Votes
38,118,894	3,849,671	111,003	0

Item 5B. Other Information

On September 5, 2006, the Governance Committee of the Board of Directors approved the cash compensation of non-employee directors for its fiscal year beginning November 1, 2006. These compensation arrangements will be effective until amended. Non-employee directors receive an annual retainer of $40,000, and meeting fees of $2,000 for Board and Audit Committee meetings and $1,500 for meetings of the Compensation Committee, Executive Committee and Governance Committee. In addition, the Chairman of the Board will receive an additional retainer of $40,000 per year; the Chair of the Audit Committee will receive an additional retainer of $15,000 per year; the Chair of the Compensation Committee will receive an additional retainer of $7,500; and the Chairs of the Executive Committee and Governance Committee will receive additional retainers of $5,000.

On September 5, 2006, the Governance Committee adopted the Statement of Terms and Conditions for equity grants to directors under the 2006 Equity Incentive Plan. The Governance Committee also adopted a form of agreement for restricted stock units, which calls for pro-rata vesting over three years. In addition, restricted stock units will be credited with dividend equivalents, that will be converted to restricted stock units at the fair market value of ABM common stock on the date of payment and will be subject to the same terms and conditions as the underlying restricted stock units. Restricted stock units will be settled in ABM common stock.

On September 6, 2006, the Board of Directors approved the equity compensation of non-employee directors. This equity compensation is effective until amended by the Board. On the date of the Annual Meeting of Stockholders each year beginning with the 2007 Annual Meeting, each of the non-employee directors will receive a grant of restricted stock units with a value of $70,000, calculated by dividing $70,000 by the fair market value of ABM common stock on the date of grant. The restricted stock units will vest in equal pro-rata amounts over a three year period. The restricted stock units will be credited with dividend equivalents that will be converted to additional stock units on the same terms and conditions as the underlying restricted stock units. The restricted stock units will be settled in shares of common stock upon the date of vesting or if deferred under a Director Deferred Compensation Plan then in effect, on the settlement date under that plan. A new non-employee director named to the Board will receive a pro-rata grant of restricted stock units upon appointment.

On September 5, 2006, the Governance Committee of the Board of Directors approved the termination of the director retirement plan for new directors. In addition, the Governance Committee recommended that the Board establish an unfunded Director Deferred Compensation Plan effective October 31, 2006, and the conversion of the interests of current directors in the director retirement plan to deferred compensation in the new plan. Current directors who do not convert their interests in the director retirement plan will not be eligible for equity grants.

On September 6, 2006, the Board of Directors adopted stock ownership guidelines for directors that call for directors to achieve holdings of ABM common stock equal to three times their annual retainer within four years. Directors are required to retain a portion of their equity compensation until the stock ownership targets are achieved.

On September 6, 2006, the Board of Directors adopted two amendments to the 2006 Equity Incentive Plan. The first establishes the definition of fair market value as the closing price of ABM common stock on the New York Stock Exchange for all purposes other than establishing the exercise price of incentive stock options, for which purposes the definition remains the average of the opening and closing price on the New York Stock Exchange. The second amendment establishes that any estate planning entity to which a grantee transfers restricted or unvested equity grants must be domiciled in the United States.

Item 6. Exhibits

Exhibit 10.1 - Director Retirement Plan Distribution Election Form, as revised June 16, 2006

Exhibit 10.2	-	Arrangements with Non-Employee Directors
Exhibit 10.3	-	Director Stock Ownership and Retention Guidelines
Exhibit 10.4	-	2006 Equity Incentive Plan, as amended September 6, 2006
Exhibit 10.5	-	Form of Restricted Stock Unit Agreement for Directors - 2006 Equity Incentive Plan
Exhibit 10.6	-	Statement of Terms and Conditions Applicable to Options, Restricted Stock and Restricted Stock Units Granted to Directors Pursuant to the 2006 Equity Incentive Plan
Exhibit 31.1	-	Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)

Exhibit 31.2	-	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)
Exhibit 32.1	-	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

	ABM Industries Incorporated
September 8, 2006	/s/ George B. Sundby George B. Sundby Executive Vice President and Chief Financial Officer Principal Financial Officer
September 8, 2006	/s/ Maria De Martini Maria De Martini Vice President and Controller Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Director Retirement Plan Distribution Election Form, as revised June 16, 2006
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10.3	Director Stock Ownership and Retention Guidelines
10.4	2006 Equity Incentive Plan, as amended September 6, 2006
10.5	Form of Restricted Stock Unit Agreement for Directors - 2006 Equity Incentive Plan
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31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)
32.1	Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 10.1

DIRECTOR RETIREMENT PLAN
DISTRIBUTION ELECTION FORM

SECTION I — PERSONAL DATA

NAME________________________________

SECTION II — DISTRIBUTION ELECTION

If I cease to be a director of ABM Industries Incorporated at or after age 72, please distribute my Director Retirement Plan benefits according to the following option (choose one):

o Lump sum discounted payment

o Annual installments for 10 years

I understand that if I cease to be a director prior to age 72, my retirement plan benefits will be paid in annual installments beginning at age 65. If I die while serving as a director or prior to beginning payments under the Director Retirement Plan, I will receive no benefits from the Director Retirement Plan. I further acknowledge, that if I die while receiving annual installments, my estate and beneficiaries will receive no additional payments under the Director Retirement Plan.

SECTION III — SIGNATURE

I acknowledge that my election (or change in election) is subject to the terms and conditions of the Director Retirement Plan. If I file a subsequent election, then I understand it will not take effect unless I retire more than one year after making such election and if I elect a lump sum discounted payment, the earliest that I may receive such payment is five years following the date of the subsequent election.

Director Signature Date

IMPORTANT TAX NOTICE

It is intended that benefits from the Plan are generally taxable when you actually receive them. You cannot “roll over” the benefits into an Individual Retirement Account (IRA) or into a qualified pension or profit sharing plan. Please contact your tax advisor because you may need to file estimated tax payments.

Rev. 6/16/06

EXHIBIT 10.2

ARRANGEMENTS WITH NON-EMPLOYEE DIRECTORS

Set forth below are arrangements between ABM Industries Incorporated (the "Registrant") and various of its directors that are not set forth in a formal written document.

On October 18, 2004, the Governance Committee of the Board of Directors of the Registrant approved the compensation of non-employee directors for its fiscal year beginning November 1, 2004. These compensation arrangements are effective through October 31, 2006. Non-employee directors receive an annual retainer of $36,000, and meeting fees of $2,000 for in-person Board and Committee meetings, $2,000 for telephonic meetings of two or more hours, and $1,000 for telephonic meetings of less than two hours. In addition, the Chair of the Audit Committee receives an additional fee of 100% of the applicable meeting fee for each Audit Committee meeting and each of the Chairs of the other Committees (Governance Committee, Compensation Committee, and Executive Committee) receives an additional fee of 50% of the applicable meeting fee for each meeting of his or her respective Committee. The fees to the Committee Chairs took effect November 1, 2004, except for the Chair of the Executive Committee, which took effect January 1, 2005.

During this period, the Chairman of the Board receives an additional annual retainer of $36,000. Former Chairman of the Board Martinn Mandles, whose employment ended on November 1, 2004, received an additional $50,000 in fiscal year 2005 for certain transition services, which fee continued on a pro-rata basis through January 31, 2006.

As a result of the expected reduced frequency of meetings of the Executive Committee on a going forward basis, effective January 1, 2005, Registrant made a lump sum retirement payment of $300,000 to Chairman of the Executive Committee William Steele and terminated the annual consulting retainer of $100,000 paid to Mr. Steele. The Registrant paid an annual fee of $100,000 to director Theodore Rosenberg in 2005, which fee continued on a pro-rata basis through January 31, 2006.

On September 5, 2006, the Governance Committee of the Board of Directors of the Registrant approved the cash compensation of non-employee directors for its fiscal year beginning November 1, 2006. These compensation arrangements will be effective until amended. Non-employee directors receive an annual retainer of $40,000, and meeting fees of $2,000 for Board and Audit Committee meetings and $1,500 for meetings of the Compensation Committee, Executive Committee and Governance Committee. In addition, the Chairman of the Board receives an additional retainer of $40,000 per year; the Chair of the Audit Committee receives an additional retainer of $15,000 per year, the Chair of the Compensation Committee receives an additional retainer of $7,500, and the Chairs of the Executive Committee and Governance Committee receive additional retainers of $5,000.

On September 6, 2006, the Board of Directors approved the equity compensation of non-employee directors. This equity compensation is effective until amended by the Board. On the date of the Annual Meeting of Stockholders each year beginning with the 2007 Annual Meeting, each of the non-employee directors will receive a grant of restricted stock units with a value of $70,000, calculated by dividing $70,000 by the fair market value of ABM common stock on the date of grant. The restricted stock units will vest in equal pro-rata amounts over a three year period. The restricted stock units will be credited with dividend equivalents that will be converted to additional stock units on the same terms and conditions as the underlying restricted stock units. The restricted stock units will be settled in shares of common stock upon the date of vesting or if deferred under a Director Deferred Compensation Plan then in effect, on the settlement date under that plan. A new non-employee director named to the Board will receive a pro-rata grant of restricted stock units upon appointment.

On September 5, 2006, the Governance Committee of the Board of Directors approved the termination of the director retirement plan for new directors. In addition, the Governance Committee recommended that the Board establish an unfunded Director Deferred Compensation Plan effective October 31, 2006, and the conversion of the interests of current directors in the director retirement plan to deferred compensation in the new plan. Current directors who do not convert their interests in the director retirement plan after its establishment will not be eligible for equity grants.

EXHIBIT 10.3

Director Stock Ownership and Retention Guidelines

The Board of Directors of the Registrant expects all directors to display confidence in the Company by ownership of a significant amount of stock. On September 6, 2006, the Board adopted Director Stock Ownership and Retention Guidelines. The target for a director is four times the director's annual retainer. In addition, the Board has structured its compensation program to result in ownership of stock or stock units at the targeted level after four years of service as a director. The Governance Committee will periodically assess the guidelines and directors' ownership relative to these guidelines and make recommendations as appropriate.

To facilitate directors' compliance with the stock ownership guidelines, the Board of Directors has established holding period requirements for directors receiving equity compensation awards under the 2006 Equity Incentive Plan. Directors who are not at their targeted stock ownership level must hold 50% of the net shares realized from unrestricted shares or from any exercise of options acquired under the 2006 Equity Incentive Plan. "Net shares realized" means unrestricted shares acquired by a director under the 2006 Equity Incentive Plan net of any shares sold to pay the exercise price (if any) and an amount equal to the taxes that would have been withheld by the Company were the director an employee. In addition, until the guidelines are met a director must defer 25% of restricted stock unit grants with settlement to occur in stock beginning six months after retiring from the Board of Directors.

Shares held by the director, shares held by family members in the same household, and deferred stock units are included in the value of the stock held by the director. Stock options, restricted stock and restricted stock units (other than those deferred) are not included in the value of stock held by a director.

These guidelines are in addition to the Company's policy against trading while in possession of inside information and the procedures under that policy, including applicable timing restrictions and permission requirements.

EXHIBIT 10.4

2006 EQUITY INCENTIVE PLAN

As amended September 6, 2006

1. PURPOSE.

This 2006 Equity Incentive Plan 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 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 an Executive in connection with a Change in Control determined on an after-tax basis taking into account the excise tax imposed pursuant to Section 4999 of the Code, 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 20.

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

(h) "Cause" means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) inability or unwillingness to perform employment duties for an Employer, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Participant's performance of his or her employment duties, (vi) the breach of an employment agreement, including covenants not to compete, or any other agreement between Participant and an Employer, (vii) the breach of fiduciary duties to an Employer or any securities laws applicable to the Company (viii) other misconduct, unethical or

unlawful activity, (ix) being charged with a crime involving fraud, embezzlement or theft in connection with Participant's duties or in the course of Participant's employment with an Employer, (x) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof, or (xi) a conviction of or plea of "guilty" or "no contest" to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

(i) "Change in Control" means that any of the following events occurs:

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

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

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

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

(k) "Committee" means the Officer Compensation and Stock Option 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 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) "Excess Parachute Payment" means a payment that creates an obligation for Executive to pay excise taxes under Code section 280G or any successor provision thereto.

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

(u) "Exercise Price" means the price per Share of Common Stock at which an Option or Stock Appreciation Right may be exercised.

(v) "Fair Market Value" of a Share as of a specified date means the closing price at which Shares are traded on such date as reported in the New York Stock Exchange composite transactions published in the Wall Street Journal, or if no trading of Shares is reported for that day, on the next following day on which trading is reported; provided that for purposes of determining the exercise price of an Incentive Stock Option the Fair Market Value of a Share as of the date of grant means the average of the opening and closing price at which Shares are traded on such date as reported in the New York Stock Exchange composite transactions published in the Wall Street Journal, or if no trading of Shares is reported for that day, on the next preceding day on which trading was reported.

(w) "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."

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

(y) "Incentive Stock Option" means an Option described in Code section 422(b).

(z) "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.

(aa) "Nonqualified Stock Option" means an Option not described in Code section 422(b) or 423(b).

(bb) "Option" means a stock option granted pursuant to Section 7.

(cc) "Other Share-Based Award" means an Award granted pursuant to Section 12.

(dd) "Outside Director" means a Director who is not an Employee.

(ee) "Participant" means an Employee or Director who has received an Award.

(ff) "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 established by the Administrator pursuant to Section 14.

(gg) "Plan" means this 2006 Stock Incentive Plan.

(hh) "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

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

(jj) "Restricted Stock" means Shares granted pursuant to Section 9.

(kk) "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.

(ll) "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.

(mm) "Share" means one share of Common Stock, adjusted in accordance with Section 18 (if applicable).

(nn) "Share Equivalent" means a bookkeeping entry representing a right to the equivalent of one Share.

(oo) "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.

(pp) "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 Outside Directors. With respect to Awards to Outside Directors, the Plan shall be administered by the Board or the Governance Committee of the Board. Notwithstanding the foregoing, all Awards made to members of the Governance Committee of the Board shall be approved by the Board.

(b) Administration with respect to Employees. With respect to Awards to Employees, the Plan shall be administered by the Board or the Committee.

(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. The Board may delegate to an officer or officers of the Company 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 to Employees and Directors.

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

(e) Claims Administration. Notwithstanding the foregoing, within 30 days after a Change in Control, the Committee shall appoint an independent committee consisting of at least three current (as of the effective date of such event) or former officers and Directors of the Company, which shall thereafter administer all claims for benefits under the Plan. Upon such appointment the Administrator shall cease to have any responsibility for claims administration under the Plan but shall continue to administer the Plan.

5. ELIGIBILITY.

Subject to the terms and conditions set forth below, Awards may be granted to Employees and 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 18, the maximum aggregate number of Shares or Share Equivalents that may be subject to Awards to a Participant in any calendar year is 1,000,000 Shares. Notwithstanding the foregoing, for any one Share granted pursuant to a Full Value Award, 3.3 fewer Shares may be made subject to Awards to that Participant in that calendar year.

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 shall not exceed 2.5 million Shares plus the number of shares previously authorized for issuance under the 2002 Price-Vested Stock Option Plan, the 1996 Price-Vested Stock Option Plan and the Time-Vested Stock Option Plan which are not required to be issued upon the exercise of outstanding options under those plans on the effective date of this Plan. Notwithstanding the foregoing, for any one Share issued in connection with a Full Value Award, 3.3 fewer Shares will be available for issuance in connection with future Awards. If any outstanding Option 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 18.

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 18.

(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 18.

(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 seven years from the date it is granted or such lesser period established by the Administrator. 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 Administrator (or its delegate) shall determine whether a Participant's employment is terminated by reason of Cause. In making such determination the Administrator (or its delegate) 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 the Administrator (or its delegate), 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 an Outside Director terminates service as a Director, the former Director (or his or her designated Beneficiary in the event of the Outside 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 18.

(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 18.

(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, (i) 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

death; (ii) a stand-alone Stock Appreciation Right or a Stock Appreciation Right granted in conjunction with 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 stand-alone Stock Appreciation Right or a Stock Appreciation Right granted in conjunction with a 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 a Stock Appreciation Right 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 Stock Appreciation Right by notice to the Participant and the Stock Appreciation Right shall thereupon become null and void.

(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 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.

(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 18, 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. The Administrator, in its sole discretion, as determined at the time of Award, may provide that the payment of cash dividends shall or may be deferred and, if the Administrator so determines, invested in additional shares of Restricted Stock to the extent available under Section 6, or otherwise invested. 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 canceled.

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 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 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: 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 waved 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.

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. 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 of 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 an Executive employed by the Company may be based on overall corporate performance against objectives, but awards for an Executive 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.

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).

(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 Executive receiving an After-Tax Amount less than 90% of the After-Tax Amount of the severance payments he or she 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.

16. FORFEITURE FOR CAUSE.

Notwithstanding any other provision of this Plan to the contrary, if the Participant engages in conduct which constitutes Cause prior to, or during the twelve month period following, the exercise of the Option or the vesting of the Award, the Administrator (or its delegate) may

(a) rescind the exercise of any Option exercised during the period beginning twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates and cancel all outstanding Awards within 24 months after the Participant's termination of employment or service with the Company or its Affiliates, and

(b) demand that the Participant pay over to the Company the proceeds (less the Participant's purchase price, if any) received by the Participant upon (i) the sale, transfer or other transaction involving the Shares acquired upon the exercise of any Option exercised during the period beginning twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates or (ii) the vesting of any Award within twelve months prior to through 24 months after the Participant's termination of employment or service with the Company or its Affiliates, in such manner and on such terms and conditions as may be required, and, without limiting any other remedy the Company or its Affiliates may have, the Company shall be entitled to set-off against the amount of any such proceeds any amount owed the Participant by the Company or its Affiliates to the fullest extent permitted by law.

17. TERM OF PLAN.

Awards may be granted pursuant to the Plan until the termination of the Plan on January 10, 2016.

18. RECAPITALIZATION.

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 18, 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.

19. 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 10 or 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.

20. 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.

21. 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; or

(e) Amend this Section 21 to defeat its purpose.

22. NO AUTHORITY TO REPRICE.

Without the consent of the shareholders of the Company, except as provided in Section 18, the Administrator shall have no authority to effect either (i) the repricing of any outstanding Options or Stock Appreciation Rights under the Plan or (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 under the Plan covering the same or different numbers of shares of Common Stock.

23. NO OBLIGATION TO EXERCISE OPTION.

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

24. APPROVAL OF SHAREHOLDERS.

This Plan and any amendments requiring shareholder approval pursuant to Section 21 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.

25. 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 to satisfy all or part of his or her withholding tax obligations by having the Company withhold a portion of the Shares that otherwise would be issued to him or her under such Nonqualified Stock Options or Restricted Stock 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.

26. 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.

27. EXECUTION.

To record the adoption of the Plan effective January 10, 2006, the Company has caused its authorized officer to execute the same.

ABM INDUSTRIES INCORPORATED

By: /s/ Erin M. Andre

Its: Senior Vice President, Human Resources

EXHIBIT 10.5

ABM INDUSTRIES INCORPORATED
RESTRICTED STOCK UNIT AGREEMENT FOR DIRECTORS
2006 EQUITY INCENTIVE PLAN

The Board of Directors of ABM Industries Incorporated has approved a grant to you (the "***Grantee***") of __________ Restricted Stock Units ("***RSUs***") pursuant to the ABM Industries Incorporated 2006 Equity Incentive Plan (the "***Plan***"), as described below.

Grantee Name: ______________________________

Grantee Address: ______________________________

Number of RSUs Granted: ______________________________

Date of Grant: ______________________________

Vesting Schedule: Provided you continue to provide services as a director of the Company through the applicable vesting date, one-third of the RSUs will vest on the first anniversary date of this grant; one-third of the RSUs will vest on the second anniversary date of this grant; and the remaining RSUs will vest on the third anniversary date of this grant. The RSUs are subject to earlier termination in certain circumstances, as set forth in the Plan and the Statement of Terms and Conditions attached hereto.

By their signatures below, the Company and the Grantee agree that the RSUs are granted under and governed by this Restricted Stock Unit Agreement and by the provisions of the Plan and the Statement of Terms and Conditions attached hereto. The Plan and the Statement of Terms and Conditions are incorporated herein by reference. Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan or in the Statement of Terms and Conditions, as applicable.

The Grantee acknowledges receipt of a copy of the Plan, the Statement of Terms and Conditions and the Plan Prospectus, represents that the Grantee has carefully read and is familiar with their provisions, and hereby accepts the RSUs subject to all of their terms and conditions. The Grantee acknowledges that there may be adverse tax consequences upon settlement of the RSUs or disposition of the shares, if any, received in connection therewith and that Grantee should consult a tax adviser prior to such settlement or disposition.

Please sign your name in the space provided below on this Restricted Stock Unit Agreement and return an executed copy to Senior Vice President, Human Resources, ABM Industries Incorporated, 160 Pacific Ave., Ste. 222, San Francisco, CA 94111.

ABM INDUSTRIES INCORPORATED	GRANTEE
By: ______________________________	______________________________
______________________________	
Date: ______________________________	Date: ______________________________

ATTACHMENTS:

2006 Equity Incentive Plan
Statement of Terms and Conditions
Prospectus

EXHIBIT 10.6

ABM INDUSTRIES INCORPORATED
STATEMENT OF TERMS AND CONDITIONS APPLICABLE
TO OPTIONS, RESTRICTED STOCK AND RESTRICTED STOCK UNITS
GRANTED TO DIRECTORS PURSUANT TO
THE 2006 EQUITY INCENTIVE PLAN
(As Adopted September 5, 2006)

I. INTRODUCTION

The following terms and conditions shall apply to each Award granted under the Plan to a Director eligible to participate in the Plan. This Statement of Terms and Conditions is subject to the terms of the Plan and of any Award made pursuant to the Plan. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern.

II. DEFINITIONS

Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan. When capitalized in this Statement of Terms and Conditions, the following additional terms shall have the meaning set forth below:

A. "Grant Date" means the date the Administrator grants the Award.

B. "Option Period" means the period commencing on the Grant Date of an Option and, except as otherwise provided in Section III.E, ending on the Termination Date.

C. "Retirement" means the voluntary termination of service by a non-employee Director at (i) age 65 or older or (ii) age 55 or older at a time when age plus years of service equals or exceeds 65.

D. "Termination Date" means the date that an Option expires as set forth in the Option Agreement.

III. OPTIONS

A. Option Notice and Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option and the number of Shares subject to the Option. Each Option Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions and the terms and conditions of the Plan.

B. Exercise Price. The per Share Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the per Share Fair Market Value of the Shares underlying the Option on the Grant Date.

C. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section III.D as modified by the rules set forth in Sections III.E and V. The Option Period shall be not more than seven years from the Grant Date.

D. Vesting of Right to Exercise Options.

1. Except as provided in Sections III.E and V, an Option shall be exercisable during the Option Period in accordance with the following vesting schedule: (i) one-third of the Shares subject to the Option shall vest on the first anniversary of the Grant Date; (ii) an additional one-third of the Shares shall vest on the second anniversary of the Grant Date; and (iii) the remaining one-third of the Shares subject to the Option shall vest on the fourth anniversary of the Grant Date. Notwithstanding the foregoing, the Administrator may specify a different vesting schedule at the time the Option is granted and as specified in the Option Agreement.

2. Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Termination Date, subject to the rules set forth in Section III.E and V. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Company be required to issue fractional shares.

E. Termination of Service. If a Participant ceases to be a director of the Company due to his or her Retirement, Disability or death during the Option Period, (i) in addition to any Shares vested under the Option Agreement prior to the date of Retirement, Disability or death, the Option shall vest in the number of Shares equal to one-third of the number of Shares originally subject to the Option, multiplied by the number of whole months between the most recent anniversary date of the Grant Date and the date of Retirement, Disability or death, and divided by 12.

F. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

1. By giving the Company, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price of such Shares, in the form of any one or combination of the following:

a. cash or a certified check, bank draft, postal or express money order payable to the order of the Company in lawful money of the United States;

b. if approved by the Company at the time of exercise, personal check of the Participant;

c. if approved by the Company at the time of exercise, a “net exercise” pursuant to which the Company will not require a payment of

the exercise price from the Participant but will reduce the number of Shares issued upon the exercise by the largest number of whole Shares that has a Fair Market Value that does not exceed the aggregate exercise price. With respect to any remaining balance of the aggregate exercise price, the Company shall accept a payment in a form identified in (a) or (b) of this section;

d. if approved by the Company at the time of exercise, by tendering to the Company or its authorized representative Shares which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Company, equal to the Exercise Price; or

e. if approved by the Company at the time of exercise, delivery (including by FAX transmission) to the Company or its authorized representative of an executed irrevocable option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price and to transfer the proceeds of such sale to the Company.

2. If required by the Company, the Participant shall give his or her assurance in writing, signed by the Participant, that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Company, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

G. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted under the Plan shall be transferable by the Participant by operation of law or otherwise, other than as set forth in the Plan. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right under the Plan, 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.

H. No Shareholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a shareholder with respect to the Shares subject to an Option except to the extent that an Option has been exercised.

IV. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

A. Agreement. A Restricted Stock Award or Restricted Stock Unit Award granted under the Plan shall be evidenced by an Agreement to be executed by the Participant and the Company setting forth the terms and conditions of the Award. Each Award Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions and the terms and conditions of the Plan.

B. Special Restrictions. Each Restricted Stock Award or Restricted Stock Unit Award made under the Plan shall contain the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Award shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth in the Plan, the Restricted Stock Agreement, Restricted Stock Unit Award Agreement, or this Statement of Terms and Conditions.

1. Restrictions. Until the restrictions imposed on any Restricted Stock Award or Restricted Stock Unit Award shall lapse, shares of Restricted Stock or Restricted Stock Units granted to a Participant: (a) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (b) shall, if the Participant’s service as a director of the Company shall terminate for any reason (except as otherwise provided in the Plan or in Sections IV.B.2 or V) be returned to the Company forthwith, and all the rights of the Participant to such Shares or Restricted Stock Units shall immediately terminate. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber such Restricted Stock or Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act. If a Participant ceases to be a director of the Company (except as otherwise provided in the Plan or in Sections IV.B.2 or V prior to the lapse of the restrictions imposed on Restricted Stock or a Restricted Stock Unit Award, the unvested portion of the Restricted Stock or Restricted Stock Unit Award shall be forfeited to the Company, and all the rights of the Participant to such Award shall immediately terminate.

2. Termination of Service by Reason of Retirement, Disability or Death. Notwithstanding any provision contained herein or in the Plan or the Restricted Stock Agreement or Restricted Stock Unit Agreement to the contrary, if a Participant who has been serving as a director of the Company since the Grant Date of a Restricted Stock Award or Restricted Stock Unit Award ceases to be a director of the Company or as a result of Retirement, Disability, or death, then the restrictions shall lapse as to the number of Shares or Share Equivalents equal to: (i) one-third of the number of Shares or Share Equivalents originally subject to the Award, multiplied by (ii) the number of whole months between the most recent anniversary date of the Grant Date and the date of Retirement, Disability or death, and divided by 12.

C. Dividends or Dividend Equivalents. Upon dividends being paid on outstanding shares of ABM common stock, dividends shall be paid with respect to Restricted Stock during the Restriction Period and shall be converted to additional shares of Restricted Stock at the Fair Market Value on the date of payment, which shall be subject to the same restrictions as the original Award for the duration of the Restricted Period. Upon dividends being paid on outstanding shares of ABM common stock, dividend equivalents shall be credited in respect of Restricted Stock Units, which shall be converted into additional Restricted Stock Units at the Fair Market Value on the date of payment, which will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award, including the same vesting restrictions as the underlying Award.

D. No Shareholder Rights for Restricted Stock Units. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a shareholder with respect to the Share Equivalents subject to a Restricted Stock Unit Award except to the extent that restrictions have lapsed and Shares have been issued upon the payment of any vested Restricted Stock Unit Award.

E. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Unit Awards, all Restricted Stock Units that were not forfeited pursuant to Sections V.2.A or V shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse but not later than two and one-half months following the end of the calendar year in which the restrictions lapse. Payment shall be made in Shares.

V. CHANGE IN CONTROL

In the event of a Change in Control, all Options that are outstanding at the time of such Change in Control shall become 100% vested and immediately exercisable, all restrictions with respect to outstanding shares of Restricted Stock shall lapse, such Shares shall become 100% vested, and all outstanding Restricted Stock Unit Awards shall become 100% vested and immediately payable.

VI. MISCELLANEOUS

A. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust Awards under the Plan to prevailing local conditions, including custom and legal and tax requirements.

B. Information Notification. Any information required to be given under the terms of an Award Agreement shall be addressed to the Company in care of Senior Vice President, Human Resources, 160 Pacific Ave., Suite 222, San Francisco, CA 94111, and any notice to be given to a Participant shall be addressed to him or her at the address indicated beneath his or her name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid,

registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office regularly maintained by the United States.

C. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under an Award Agreement, shall be conclusive.

D. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Company to its non-employee directors.

E. Tax Payments. Each Participant shall agree to satisfy any applicable federal, state or local income taxes associated with an Award.

F. Successors. This Statement of Terms and Conditions and the Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Company. "Participant" as used herein shall include the Participant's Beneficiary.

G. Governing Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Award Agreements shall be governed by the laws of the State of Delaware.

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.

September 8, 2006

/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, George B. Sundby, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ABM Industries Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 8, 2006

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

EXHIBIT 32.1

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

In connection with the quarterly report of ABM Industries Incorporated (the “Company”) on Form 10-Q for the quarter ended July 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Henrik C. Slipsager, Chief Executive Officer of the Company, and George B. Sundby, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

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

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

September 8, 2006

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

September 8, 2006

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