



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

FORM 10-Q

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

For the quarterly period ended January 31, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-8929

**ABM INDUSTRIES INCORPORATED**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

94-1369354

(I.R.S. Employer  
Identification No.)

551 Fifth Avenue, Suite 300, New York,  
New York

(Address of principal executive offices)

10176

(Zip Code)

212/297-0200

(Registrant's telephone number, including area code)

**None**

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

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

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

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

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

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

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

Class

Common Stock, \$0.01 par value per share

Outstanding at February 26, 2010

51,917,607 shares

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

FORM 10-Q

For the quarterly period ended January 31, 2010

Table of Contents

<b><u>PART I. FINANCIAL INFORMATION</u></b>	3
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Financial Statements</u>	3
<u>Notes to the Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	23
<b><u>PART II. OTHER INFORMATION</u></b>	23
<u>Item 1. Legal Proceedings</u>	23
<u>Item 1A Risk Factors</u>	24
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
<u>Item 3. Defaults Upon Senior Securities</u>	24
<u>Item 4. Reserved</u>	24
<u>Item 5. Other Information</u>	24
<u>Item 6. Exhibits</u>	24
<b><u>SIGNATURES</u></b>	25
<u>Exhibit 10.1</u>	
<u>Exhibit 10.2</u>	
<u>Exhibit 10.3</u>	
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32</u>	
<u>Exhibit 99.1</u>	

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)	January 31, 2010	October 31, 2009
	(Unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 21,177	\$ 34,153
Trade accounts receivable, net of allowances of \$11,235 and \$10,772 at January 31, 2010 and October 31, 2009, respectively	476,910	445,241
Prepaid income taxes	12,205	13,473
Current assets of discontinued operations	8,480	10,787
Prepaid expenses	40,332	38,781
Notes receivable and other	17,567	21,374
Deferred income taxes, net	49,729	52,171
Insurance recoverables	4,917	5,017
Total current assets	<u>631,317</u>	<u>620,997</u>
Non-current assets of discontinued operations		
Insurance deposits	3,573	4,567
Other investments and long-term receivables	42,289	42,500
Deferred income taxes, net	5,884	6,240
Insurance recoverables	61,018	63,444
Other assets	65,800	67,100
Investments in auction rate securities	31,852	32,446
Property, plant and equipment, net of accumulated depreciation of \$96,715 and \$92,563 at January 31, 2010 and October 31, 2009, respectively	19,651	19,531
Other intangible assets, net of accumulated amortization of \$46,239 and \$43,464 at January 31, 2010 and October 31, 2009, respectively	57,562	56,892
Goodwill	57,425	60,199
Total assets	<u>\$ 1,524,201</u>	<u>\$ 1,521,153</u>

See accompanying notes to the condensed consolidated financial statements.

## ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Continued)

(in thousands, except share amounts)	January 31, 2010	October 31, 2009
	(Unaudited)	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Trade accounts payable	\$ 79,524	\$ 84,701
Accrued liabilities		
Compensation	83,658	93,095
Taxes — other than income	20,401	17,539
Insurance claims	78,174	78,144
Other	70,629	66,279
Income taxes payable	1,950	1,871
Current liabilities of discontinued operations	1,170	1,065
Total current liabilities	<u>335,506</u>	<u>342,694</u>
Income taxes payable	20,713	17,763
Line of credit	172,000	172,500
Retirement plans and other	31,983	32,963
Insurance claims	267,883	268,183
Total liabilities	<u>828,085</u>	<u>834,103</u>
Commitments and Contingencies		
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 51,884,698 and 51,688,218 shares issued at January 31, 2010 and October 31, 2009, respectively	519	517
Additional paid-in capital	179,813	176,480
Accumulated other comprehensive loss, net of taxes	(2,350)	(2,423)
Retained earnings	518,134	512,476
Total stockholders' equity	<u>696,116</u>	<u>687,050</u>
Total liabilities and stockholders' equity	<u>\$ 1,524,201</u>	<u>\$ 1,521,153</u>

See accompanying notes to the condensed consolidated financial statements.

## ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended January 31	
	2010	2009
	(Unaudited)	
<b>Revenues</b>	\$ 869,884	\$ 887,472
<b>Expenses</b>		
Operating	782,101	787,268
Selling, general and administrative	62,802	71,387
Amortization of intangible assets	2,775	2,823
Total expenses	847,678	861,478
Operating profit	22,206	25,994
Interest expense	1,215	1,668
Income from continuing operations before income taxes	20,991	24,326
Provision for income taxes	8,155	9,571
Income from continuing operations	12,836	14,755
Loss from discontinued operations, net of taxes	(61)	(538)
<b>Net income</b>	<b>\$ 12,775</b>	<b>\$ 14,217</b>
<b>Net income per common share — Basic</b>		
Income from continuing operations	\$ 0.25	\$ 0.29
Loss from discontinued operations	—	(0.01)
Net Income	<u>\$ 0.25</u>	<u>\$ 0.28</u>
<b>Net income per common share — Diluted</b>		
Income from continuing operations	\$ 0.24	\$ 0.29
Loss from discontinued operations	—	(0.01)
Net Income	<u>\$ 0.24</u>	<u>\$ 0.28</u>
<b>Weighted-average common and common equivalent shares outstanding</b>		
Basic	51,821	51,110
Diluted	52,548	51,470
<b>Dividends declared per common share</b>	<b>\$ 0.135</b>	<b>\$ 0.130</b>

See accompanying notes to the condensed consolidated financial statements.

**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	Three Months Ended January 31	
	2010	2009 (Note 1)
	(Unaudited)	
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,775	\$ 14,217
Loss from discontinued operations, net of taxes	(61)	(538)
Income from continuing operations	12,836	14,755
<b>Adjustments to reconcile income from continuing operations to net cash (used in) provided by continuing operating activities:</b>		
Depreciation and amortization of intangible assets	8,493	7,306
Deferred income taxes	4,868	3,361
Share-based compensation expense	1,960	1,493
Provision for bad debt	606	1,286
Discount accretion on insurance claims	228	312
Gain on sale of assets	(92)	(43)
Changes in operating assets and liabilities, net of effects of acquisitions		
Trade accounts receivable	(32,276)	(28,253)
Prepaid expenses and other current assets	2,241	(2,642)
Insurance recoverables	1,400	—
Other assets and long-term receivables	1,161	(2,147)
Income taxes payable	4,286	2,306
Retirement plans and other non-current liabilities	(928)	(1,776)
Insurance claims payable	(498)	615
Trade accounts payable and other accrued liabilities	(16,505)	16,887
Total adjustments	(25,056)	(1,295)
Net cash (used in) provided by continuing operating activities	(12,220)	13,460
Net cash provided by discontinued operating activities	3,307	12,619
<b>Net cash (used in) provided by operating activities</b>	<b>(8,913)</b>	<b>26,079</b>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment	(7,379)	(5,441)
Proceeds from sale of assets	1,043	415
Purchase of businesses	(588)	(623)
<b>Net cash used in investing activities</b>	<b>(6,924)</b>	<b>(5,649)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from exercises of stock options (including income tax benefit)	1,251	463
Dividends paid	(6,992)	(6,641)
Borrowings from line of credit	131,000	173,000
Repayment of borrowings from line of credit	(131,500)	(176,000)
Changes in book cash overdrafts	9,102	(13,852)
<b>Net cash provided by (used in) financing activities</b>	<b>2,861</b>	<b>(23,030)</b>
Net decrease in cash and cash equivalents	(12,976)	(2,600)
Cash and cash equivalents at beginning of period	34,153	26,741
<b>Cash and cash equivalents at end of period</b>	<b>\$ 21,177</b>	<b>\$ 24,141</b>
<b>Supplemental Data:</b>		
Cash (refunded) paid for income taxes, net of refunds received	\$ (1,243)	\$ 3,915
Tax effect from exercise of options	241	8
Cash received from exercise of options	1,010	455
Interest paid on line of credit	\$ 979	\$ 1,908

See accompanying notes to the condensed consolidated financial statements.

**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)****1. Basis of Presentation**

The accompanying condensed consolidated financial statements of ABM Industries Incorporated ("ABM", and together with its subsidiaries, the "Company") contained in this report are unaudited and should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission ("SEC") in ABM's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. All references to years are to the Company's fiscal year, which ends on October 31.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in ABM's condensed consolidated financial statements and the accompanying notes. These estimates are based on information available as of the date of these financial statements. The current economic environment and its potential effect on the Company's clients have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are normal and recurring, necessary to fairly state the information for each period contained therein. The results of operations for the three months ended January 31, 2010 are not necessarily indicative of the operating results that might be expected for the full fiscal year or any future periods.

*Immaterial Correction*

The presentation of the accompanying condensed consolidated statements of cash flows for the three months ended January 31, 2009, corrects the presentation of cash and cash equivalents and changes in book cash overdrafts related to offsetting of positive and negative book cash balances. The effects of the correction, which had no impact on the Company's previously reported earnings for any periods, are presented in the following table:

(in thousands)	Three Months Ended January 31, 2009	
	As Previously Reported	As Corrected
Net cash used in financing activities	\$ (9,178)	\$ (23,030)

**2. Recently Adopted Accounting Pronouncements**

Effective November 1, 2009, the Company adopted the Financial Accounting Standards Board ("FASB") updated authoritative standard for accounting for business combinations, which is included in Accounting Standards Codification™ ("ASC") Topic 805 "Business Combinations" ("ASC 805"). Upon adoption, on November 1, 2009, the Company expensed approximately \$1.0 million of deferred acquisition costs for acquisitions currently being pursued. This authoritative standard will impact the way in which the Company accounts for future business combinations.

Effective November 1, 2009, the Company adopted the FASB updated authoritative standard for determining the useful life of intangible assets, which is included in ASC Topic 350-30 "General Intangibles Other than Goodwill" ("ASC 350-30"). This authoritative standard amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset and requires additional disclosures. The disclosure requirements must be applied prospectively to all intangible assets recognized as of the effective date. This authoritative standard had no impact on the Company's condensed consolidated interim financial statements, but could impact the way in which the useful lives of intangible assets acquired in a business combination will be determined for future acquisitions, if renewal or extension terms are apparent.



## Table of Contents

Effective November 1, 2009, the Company adopted the FASB updated authoritative standard on employers' disclosures about post-retirement benefit plan assets, which is included in ASC Topic 715 "Compensation—Retirement Benefits" ("ASC 715"). The authoritative standard expands the annual disclosures by adding required disclosures about how investment allocation decisions are made by management, major categories of plan assets and significant concentrations of risk. Additionally, it is now required for an employer to disclose information about the valuation of plan assets similar to that required under ASC Topic 820 "Fair Value Measurements and Disclosures" ("ASC 820"). This authoritative standard will not have an impact on the Company's condensed consolidated interim financial statements as it only amends required annual disclosures.

Effective November 1, 2009, the Company adopted the FASB authoritative standard on fair value measurements for non-financial assets and non-financial liabilities measured on a non-recurring basis, which is included in ASC 820. The Company's non-financial assets and non-financial liabilities principally consist of intangible assets acquired through business combinations and long-lived assets. During the three months ended January 31, 2010, the Company did not re-measure any non-financial assets or non-financial liabilities at fair value, therefore, this authoritative standard did not have an impact on the Company's condensed consolidated interim financial statements. This authoritative standard will impact the way in which fair value is measured and disclosed for non-financial assets and non-financial liabilities that are measured at fair value on a non-recurring basis in periods subsequent to initial recognition.

### **3. Fair Value Measurements**

As required by ASC 820, fair value is determined based on inputs or assumptions that market participants would use in pricing an asset or a liability. These assumptions consist of (1) observable inputs — market data obtained from independent sources, or (2) unobservable inputs - market data determined using the company's own assumptions about valuation. ASC 820 establishes a hierarchy to prioritize the inputs to valuation techniques, with the highest priority being given to Level 1 inputs and the lowest priority to Level 3 inputs, as described below:

**Level 1** — Quoted prices for identical instruments in active markets;

**Level 2** — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets; and

**Level 3** — Unobservable inputs.

Financial assets and liabilities measured at fair value on a recurring basis are summarized in the table below:

(in thousands)	Fair Value at January 31, 2010	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Assets held in funded deferred compensation plan (a)	\$ 5,468	\$ 5,468	\$ —	\$ —
Investments in auction rate securities (b)	19,651	—	—	19,651
Total assets	\$ 25,119	\$ 5,468	\$ —	\$ 19,651
<b>Liabilities</b>				
Interest rate swap (c)	\$ 1,062	\$ —	\$ 1,062	\$ —
Total liabilities	\$ 1,062	\$ —	\$ 1,062	\$ —

(a) The fair value of the assets held in the deferred compensation plan is based on quoted market prices.

(b) The fair value of the investments in auction rate securities is based on discounted cash flow valuation models, primarily utilizing unobservable inputs. See Note 4, "Auction Rate Securities".

(c) The fair value of the interest rate swap is estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for LIBOR forward rates at the end of the period. See Note 7, "Line of Credit Facility".

See Note 4, "Auction Rate Securities", for a roll-forward of assets measured at fair value using significant unobservable Level 3 inputs.

### Other Financial Assets and Liabilities

Due to the short-term maturities of the Company's cash, cash equivalents, receivables, payables, and current assets and liabilities of discontinued operations, the carrying value of these financial instruments approximates their fair market values. Due to the variable interest rates, the fair value of outstanding borrowings under the Company's \$450.0 million line of credit approximates its carrying value of \$172.0 million. The carrying value of the receivables included in non-current assets of discontinued operations of \$3.6 million and the acquired insurance deposits related to acquired self-insurance claims of \$42.3 million approximates fair market value.

Other financial instruments of \$1.4 million included in other investments and long-term receivables have no quoted market prices and, accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

#### 4. Auction Rate Securities

As of January 31, 2010, the Company held investments in auction rate securities from five different issuers having an original principal amount of \$5.0 million each (aggregating \$25.0 million). At January 31, 2010 and October 31, 2009, the estimated fair value of these securities, in total, was approximately \$19.7 million and \$19.5 million, respectively. These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days. However, auctions for these securities have not occurred since August 2007.

The Company estimates the fair values of auction rate securities it holds utilizing a discounted cash flow model, which considers, among other factors, assumptions about: (1) the underlying collateral; (2) credit risks associated with the issuer; (3) contractual maturity; (4) credit enhancements associated with financial insurance guarantees, if any; and (5) assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction (presently assumed to be approximately 4 to 8 years). Since there can be no assurance that auctions for these securities will be successful in the near future, the Company has classified its auction rate securities as long-term investments.

The Company's determination of whether impairments of its auction rate securities are other-than-temporary is based on an evaluation of several factors, circumstances and known or reasonably supportable trends including, but not limited to: (1) the Company's intent to not sell the securities; (2) the Company's assessment that it is not more likely than not that the Company will be required to sell the securities before recovering its cost basis; (3) expected defaults; (4) the decline in ratings for the auction rate securities or the underlying collateral; (5) the rating of the associated guarantor (where applicable); (6) the nature and value of the underlying collateral expected to service the investment; (7) actual historical performance of the security in servicing its obligations; and (8) actuarial experience of the underlying re-insurance arrangement (where applicable) which in certain circumstances may have preferential rights to the underlying collateral. Based on the Company's analysis of the above factors, no other-than-temporary impairment was identified during the three months ended January 31, 2010.

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

The following table presents the changes in the cost basis and fair value of the Company's auction rate securities for the three months ended January 31, 2010:

(in thousands)	Cost Basis	Fair Value (Level 3)
Balance at beginning of year	\$ 23,434	\$ 19,531
Unrealized gains	—	171
Unrealized losses	—	(51)
Balance at January 31, 2010	<u>\$ 23,434</u>	<u>\$ 19,651</u>

## [Table of Contents](#)

At January 31, 2010 and October 31, 2009, unrealized losses of \$3.8 million (\$2.2 million net of tax) and \$3.9 million (\$2.3 million net of tax) were recorded in accumulated other comprehensive loss, respectively.

### 5. Net Income per Common Share

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

(in thousands, except per share data)	Three Months Ended January 31	
	2010	2009
Income from continuing operations	\$ 12,836	\$ 14,755
Loss from discontinued operations, net of taxes	(61)	(538)
Net income	<u>\$ 12,775</u>	<u>\$ 14,217</u>
Weighted-average common shares outstanding — Basic	51,821	51,110
Effect of dilutive securities:		
Stock options	389	196
Restricted stock units	262	105
Performance shares	76	59
Weighted-average common shares outstanding — Diluted	<u>52,548</u>	<u>51,470</u>
Net income per common share		
Basic	\$ 0.25	\$ 0.28
Diluted	\$ 0.24	\$ 0.28

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

(in thousands)	Three Months Ended January 31	
	2010	2009
Stock options	846	2,399
Restricted stock units	23	209

### 6. Self-Insurance

The Company provides for self-insurance expense during interim periods using actuarial rates established from its most recent actuarial review, considering known or expected trends. Actuarial evaluations are expected to be performed during the third and fourth quarters of 2010 using claims data as of April 2010 and July 2010, respectively.

At January 31, 2010, the Company had \$101.5 million in standby letters of credit (primarily related to its workers' compensation, general liability, automobile, and property damage programs), \$42.3 million in restricted insurance deposits and \$112.3 million in surety bonds supporting unpaid insurance claim liabilities. At October 31, 2009, the Company had \$118.6 million in stand by letters of credit, \$42.5 million in restricted insurance deposits and \$103.2 million in surety bonds supporting unpaid insurance claim liabilities.

## 7. Line of Credit Facility

The Company holds a \$450.0 million five-year syndicated line of credit that is scheduled to expire on November 14, 2012 (the "Facility"). The Facility is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures, and other general corporate purposes.

The Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness and certain transactions and payments. In addition, the Facility also requires that the Company maintain the following three financial covenants which are described in Note 9, "Line of Credit Facility", to the Consolidated Financial Statements set forth in the Company's Annual Report on Form 10-K for 2009: (1) a fixed charge coverage ratio; (2) a leverage ratio; and (3) a combined net worth test. The Company was in compliance with all covenants as of January 31, 2010 and expects to be in compliance in the foreseeable future.

As of January 31, 2010, the total outstanding amount under the Facility in the form of cash borrowings was \$172.0 million. Available credit under the line of credit was \$176.5 million at January 31, 2010. The Company's ability to draw down available amounts under its line of credit is subject to compliance with the covenants described above.

As of January 31, 2010, the fair value of the interest rate swap was a \$1.1 million liability, which is included in retirement plans and other on the accompanying condensed consolidated balance sheet. No ineffectiveness existed at January 31, 2010. The amount included in accumulated other comprehensive loss is \$1.1 million (\$0.6 million, net of taxes).

## 8. Benefit Plans

The components of net periodic benefit cost of the Company's defined benefit plans and the post-retirement benefit plans, including participants associated with continuing operations, for the three months ended January 31, 2010 and 2009, were as follows:

(in thousands)	Three Months Ended January 31	
	2010	2009
<b>Defined Benefit Plans</b>		
Service cost	\$ 11	\$ 10
Interest	148	194
Expected loss on plan assets	(100)	(80)
Amortization of actuarial loss	18	26
Net expense	<u>\$ 77</u>	<u>\$ 150</u>
<b>Post-Retirement Benefit Plan</b>		
Service cost	\$ 4	\$ 3
Interest	70	69
Amortization of actuarial gain	—	(51)
Net expense	<u>\$ 74</u>	<u>\$ 21</u>

## 9. Contingencies

The Company has been named as a defendant in certain proceedings arising in the ordinary course of business. 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 accompanying condensed 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. Legal costs associated with loss contingencies are expensed as incurred.

The Company is a defendant in several purported class action lawsuits related to alleged violations of federal or California wage-and-hour laws. The named plaintiffs in these lawsuits are current or former employees of ABM subsidiaries who allege, among other things, that they were required to work "off the clock," were not paid for all overtime, were not provided work breaks or other benefits, and/or that they received pay stubs not conforming to California law. In all cases, the plaintiffs generally seek unspecified monetary damages, injunctive relief or both. The Company believes it has meritorious defenses to these claims and intends to continue to vigorously defend itself.

The Company accrues amounts it believes are adequate to cover any liabilities related to litigation and arbitration proceedings, and other contingencies that the Company believes will result in a probable loss. However, the ultimate resolution of such matters is always uncertain. It is possible that any such 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 January 31, 2010 was \$5.1 million.

#### 10. Share-Based Compensation Plans

On January 11, 2010, the Company's Compensation Committee approved the grant of 256,637 performance share awards under the terms of the Company's 2006 Equity Incentive Plan, as amended and restated. The fair value of the performance share awards granted and valued as of January 28, 2010 was \$5.0 million, which vests over a period of three years.

#### 11. Comprehensive Income

The following table presents the components of comprehensive income, net of taxes:

(in thousands)	Three Months Ended January 31	
	2010	2009
Net income	\$ 12,775	\$ 14,217
Other comprehensive income (loss):		
Unrealized gains (losses) on auction rate securities, net of taxes of \$49 and \$55 for January 31, 2010 and 2009, respectively	71	(85)
Unrealized loss on interest rate swap agreement, net of taxes of \$20 for January 31, 2010	(29)	—
Foreign currency translation, net of taxes of \$14 and \$48 for January 31, 2010 and 2009, respectively	20	(74)
Actuarial gain (loss) — adjustments to pension & other post-retirement plans, net of taxes of \$7 and \$9 for January 31, 2010 and 2009, respectively	11	(14)
Comprehensive income	<u>\$ 12,848</u>	<u>\$ 14,044</u>

#### 12. Income Taxes

At January 31, 2010, the Company had unrecognized tax benefits of \$102.3 million, all of which, if recognized in the future, would affect its effective tax rate. The Company includes interest and penalties related to unrecognized tax benefits in income tax expense. As of January 31, 2010, the Company had accrued interest related to uncertain tax positions of \$0.6 million. The Company has recorded \$2.1 million of the unrecognized tax benefits as a current liability.

The effective tax rate on income from continuing operations for the three months ended January 31, 2010 and 2009 were 38.9% and 39.3%, respectively.

The Company's major tax jurisdiction is the United States. ABM and OneSource Services, Inc. U.S. federal income tax returns remain open for examination for the periods ending October 31, 2006 through October 31, 2009 and March 31, 2000 through November 14, 2007, respectively. The Company does business in all 50 states, significantly in California, Texas and New York, as well as Puerto Rico and Canada. In major state jurisdictions, the tax years 2005-2009 remain open and subject to examination by the appropriate tax authorities. The Company is currently being examined by Illinois, Minnesota, Arizona, Utah, New Jersey, Massachusetts, and Puerto Rico.

### 13. Segment Information

The Company is organized into four reportable operating segments, Janitorial, Parking, Security and Engineering, which are summarized as follows:

(in thousands)	Three Months Ended January 31	
	2010	2009
<b>Revenues</b>		
Janitorial	\$ 584,079	\$ 608,420
Parking	112,588	115,669
Security	83,597	85,583
Engineering	89,351	77,216
Corporate	269	584
	<u>\$ 869,884</u>	<u>\$ 887,472</u>
<b>Operating profit</b>		
Janitorial	\$ 34,084	\$ 32,311
Parking	5,026	4,142
Security	1,346	1,794
Engineering	4,992	4,666
Corporate	(23,242)	(16,919)
<b>Operating profit</b>	22,206	25,994
Interest expense	1,215	1,668
Income from continuing operations before income taxes	<u>\$ 20,991</u>	<u>\$ 24,326</u>

Most Corporate expenses are not allocated. Such expenses include the adjustments to the Company's self-insurance reserves relating to prior years, certain legal costs and settlements, certain information technology costs, share-based compensation costs, severance costs associated with acquisitions and certain chief executive officer, and other finance and human resource departmental costs. Corporate expenses for the three months ended January 31, 2009 included the net benefit of a \$9.6 million legal settlement, related to a claim that was settled and resolved in the three months ended January 31, 2009.

### 14. Discontinued Operations

On October 31, 2008, the Company completed the sale of substantially all of the assets of its former Lighting segment, excluding accounts receivable and certain other assets and liabilities, to Sylvania Lighting Services Corp ("Sylvania"). The remaining assets and liabilities associated with the Lighting segment have been classified as assets and liabilities of discontinued operations for all periods presented. The results of operations of the Lighting segment for all periods presented are classified as "Loss from discontinued operations, net of taxes."

## [Table of Contents](#)

The carrying amounts of the major classes of assets and liabilities of the Lighting segment included in discontinued operations are as follows:

(in thousands)	January 31, 2010	October 31, 2009
Trade accounts receivable, net	\$ 224	\$ 499
Notes receivable and other	1,628	1,937
Other receivables due from Sylvania (a)	6,628	8,351
Current assets of discontinued operations	<u>8,480</u>	<u>10,787</u>
Long-term notes receivable	692	976
Other receivables due from Sylvania (a)	2,881	3,591
Non-current assets of discontinued operations	<u>3,573</u>	<u>4,567</u>
Trade accounts payable	834	840
Accrued liabilities	35	53
Due to Sylvania, net (b)	301	172
Current liabilities of discontinued operations	<u>\$ 1,170</u>	<u>\$ 1,065</u>

(a) In connection with the sale of the Lighting segment, Sylvania acquired certain contracts containing deferred charges. Payments received by Sylvania from clients with respect to the deferred charges for these contracts are paid to the Company.

(b) Represents net amounts collected on Sylvania's behalf pursuant to a transition services agreement, which was entered into in connection with the sale of the Lighting segment.

### 15. Parking Revenue Presentation

The Company's Parking segment reports both revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Parking revenues related solely to the reimbursement of expenses totaled \$56.0 million and \$60.5 million for the three months ended January 31, 2010 and 2009, respectively.

### 16. Recent Accounting Pronouncements

In January 2010, the FASB issued updated standards for fair value measurements and disclosures. The update amends ASC 820 by requiring separate disclosure of significant transfers in and out of Level 1 and Level 2 items, which are assets and liabilities valued using observable inputs, as well as the reasons for such transfers. It also requires separate presentation, on a gross basis, of all changes in the fair values of Level 3 items, which are assets and liabilities valued using unobservable inputs, including purchases, sales, issuances and settlements, as well as separate presentation of transfers in and out of Level 3 and the reasons for those transfers. In addition, companies will be required to disclose quantitative information about the inputs used in determining fair values. The objective is to improve disclosures about fair value measurements by providing greater level of disaggregation and detail about valuation techniques and inputs to fair value measurements. These standards will be adopted in the second quarter of 2010, except for the additional gross presentation disclosure requirements for Level 3 changes which will be adopted in the second quarter of 2011. The adoption of these standards will have no impact on the Company's financial position or results of operations as it only amends required disclosures.



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

The following discussion should be read in conjunction with the unaudited accompanying condensed consolidated financial statements of ABM Industries Incorporated ("ABM", and together with its subsidiaries, the "Company") included in this Quarterly Report on Form 10-Q and with the consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended October 31, 2009. All information in the discussion and references to years are based on the Company's fiscal year, which ends on October 31.

### Overview

The Company provides janitorial, parking, security and engineering services for thousands of commercial, industrial, institutional and retail client facilities in hundreds of cities, primarily throughout the United States. The Company's business is impacted by, among other things, commercial office building occupancy and rental rates, industrial activity, air travel levels, tourism and transportation needs at colleges, universities and health care service facilities. Revenues at the Company's Janitorial, Security and Engineering segments are primarily based on the performance of labor-intensive services at contractually specified prices. Revenues at the Parking segment relate to parking and transportation services, which are less labor-intensive. In addition to services defined within the scope of client contracts, the Janitorial segment also generates revenues from extra services (or tags) such as, but not limited to, flood cleanup services and snow removal, which generally provide higher margins.

During 2009, the Company experienced losses of client contracts that exceeded new business, reductions in the level and scope of services demanded by clients, contract price compression and declines in the level of tag work, primarily in the Janitorial and Security segments. These losses and reductions influenced results in the three months ended January 31, 2010. Total revenues in the three months ended January 31, 2010, as compared to the three months ended January 31, 2009, decreased \$17.6 million, or 2.0%, primarily related to the losses and reductions experienced during 2009, which exceeded new business. The Company's operating profit, excluding Corporate, increased \$2.5 million, or 5.9%, in the three months ended January 31, 2010 compared to the three months ended January 31, 2009, primarily related to the successful execution and continuation of the Company's operating strategies around cost control, partially offset by increases in payroll related costs from increases in state unemployment insurance rates that went into effect on January 1, 2010. Beginning in the second half of 2009 and continuing through January 31, 2010, the net impact of client contract losses decreased (as compared to the first half of 2009). As a result, total revenues in the three months ended January 31, 2010, as compared to the three months ended October 31, 2009, remained relatively flat.

In addition to revenues and operating profit, the Company's management views operating cash flows as a good indicator of financial performance, as strong operating cash flows provide opportunities for growth both organically and through acquisitions. Operating cash flows primarily depend on revenue levels, the timing of collections and payments to suppliers and other vendors, the quality of receivables, and the timing and amount of self-insured claims. The Company's cash flows used in operating activities was \$8.9 million for the three months ended January 31, 2010 and was consistent with the Company's expectations. Typically, the operating cash flows in the Company's first quarter are lower than the remaining subsequent quarters in the Company's fiscal year.

The Company believes that achieving desired levels of revenues and profitability in the future will depend upon, among other things, its ability to attract and retain clients at desirable profit margins, to pass on cost increases to clients, and to keep overall costs low. In the short term, the Company plans to remain competitive by, among other things, continued cost control strategies. The Company is continuing to monitor, and in some cases exit, client arrangements where the Company believes the client is at high risk of bankruptcy or which produce low profit margins and focus on client arrangements that may generate less revenues but produce higher profit margins. Additionally, the Company is exploring acquisitions, both domestically and internationally. In the long-term, the Company expects to continue to grow organically and through acquisitions (including international expansion) in response to the perceived growing demand for a global integrated facility services solution provider.



## Liquidity and Capital Resources

(in thousands)	January 31, 2010	October 31, 2009	Change
Cash and cash equivalents	\$ 21,177	\$ 34,153	\$ (12,976)
Working capital	\$ 295,811	\$ 278,303	\$ 17,508

(in thousands)	Three Months Ended January 31,		Change
	2010	2009	
Net cash (used in) provided by operating activities	\$ (8,913)	\$ 26,079	\$ (34,992)
Net cash used in investing activities	\$ (6,924)	\$ (5,649)	\$ (1,275)
Net cash provided by (used in) financing activities	\$ 2,861	\$ (23,030)	\$ 25,891

As of January 31, 2010, the Company's cash and cash equivalents balance was \$21.2 million, compared to \$34.2 million as of October 31, 2009. The decrease in cash is principally due to the timing of payments made on vendor invoices and collections of accounts receivable.

The Company believes that the cash generated from operations and amounts available under its \$450.0 million line of credit will be sufficient to meet the Company's cash requirements for the long-term, except to the extent cash is required for significant acquisitions, if any. As of January 31, 2010, the total outstanding amounts under the Company's line of credit in the form of cash borrowings and standby letters of credit were \$172.0 million and \$101.5 million, respectively. Available credit under the line of credit was \$176.5 million as of January 31, 2010. The Company's ability to draw down available amounts under its \$450.0 million line of credit is subject to compliance with certain financial covenants, including covenants relating to consolidated net worth, a fixed charge coverage ratio and a leverage ratio. In addition, other covenants under the line of credit include limitations on liens, dispositions, fundamental changes, investments and certain transactions and payments. As of January 31, 2010, the Company was in compliance with all covenants and expects to be in the foreseeable future.

**Working Capital.** Working capital increased by \$17.5 million to \$295.8 million at January 31, 2010 from \$278.3 million at October 31, 2009. Excluding the effects of discontinued operations, working capital increased by \$19.9 million to \$288.5 million at January 31, 2010 from \$268.6 million at October 31, 2009.

The increase was primarily related to:

- a \$31.7 million increase in trade accounts receivable, net, primarily related to the timing of collections received from clients; and
- a \$5.2 million decrease in trade accounts payable, primarily related to the timing of payments made on vendor invoices;

partially offset by:

- a \$13.0 million decrease in cash and cash equivalents; and
- a \$3.8 million decrease in notes receivable and other, primarily related to collections received during the three months ended January 31, 2010.

**Cash Flows from Operating Activities.** Net cash used in operating activities was \$8.9 million for the three months ended January 31, 2010, compared to net cash provided by operating activities of \$26.1 million for the three months ended January 31, 2009. The decrease in cash flows from operating activities was primarily related to a \$33.4 million year-over-year decrease in trade accounts payable and accrued liabilities as a result of the timing of payments made on vendor invoices.

Net cash provided by discontinued operating activities was \$3.3 million for the three months ended January 31, 2010, compared to \$12.6 million for the three months ended January 31, 2009. The cash provided by discontinued operating activities for the three months ended January 31, 2010 primarily related to cash collections from the transferred client contracts that contained deferred charges related to services performed by the Company prior to the sale.

**Cash Flows from Investing Activities.** Net cash used in investing activities for the three months ended January 31, 2010 was \$6.9 million, compared to \$5.6 million for the three months ended January 31, 2009. The increase in cash used in investing activities was primarily related to a \$1.9 million increase in capital expenditures in the three months ended January 31, 2010.

**Cash Flows from Financing Activities.** Net cash provided by financing activities was \$2.9 million for the three months ended January 31, 2010, compared to net cash used in financing activities of \$23.0 million for the three months ended January 31, 2009. The increase in cash flows from financing activities was primarily related to a \$23.0 million year-over-year change in the book overdraft payables (i.e., negative cash balances that have not been presented for payment by the bank).

**Results of Operations**

*Three Months Ended January 31, 2010 vs. Three Months Ended January 31, 2009*

(\$ in thousands)	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009	Increase (Decrease) \$	Increase (Decrease) %
<b>Revenues</b>	\$ 869,884	\$ 887,472	\$ (17,588)	(2.0)%
<b>Expenses</b>				
Operating	782,101	787,268	(5,167)	(0.7)%
Selling, general and administrative	62,802	71,387	(8,585)	(12.0)%
Amortization of intangible assets	2,775	2,823	(48)	(1.7)%
Total expense	847,678	861,478	(13,800)	(1.6)%
Operating profit	22,206	25,994	(3,788)	(14.6)%
Interest expense	1,215	1,668	(453)	(27.2)%
Income from continuing operations before income taxes	20,991	24,326	(3,335)	(13.7)%
Provision for income taxes	8,155	9,571	(1,416)	(14.8)%
Income from continuing operations	12,836	14,755	(1,919)	(13.0)%
Loss from discontinued operations, net of taxes	(61)	(538)	477	NM*
<b>Net income</b>	<b>\$ 12,775</b>	<b>\$ 14,217</b>	<b>\$ (1,442)</b>	<b>(10.1)%</b>

\* Not meaningful

**Net Income.** Net income in the three months ended January 31, 2010 decreased by \$1.4 million, or 10.1%, to \$12.8 million (\$0.24 per diluted share) from \$14.2 million (\$0.28 per diluted share) in the three months ended January 31, 2009. Net income included a loss of \$0.1 million and \$0.5 million from discontinued operations in the three months ended January 31, 2010 and 2009, respectively.

**Income from Continuing Operations.** Income from continuing operations in the three months ended January 31, 2010 decreased by \$1.9 million, or 13.0%, to \$12.8 million (\$0.24 per diluted share) from \$14.8 million (\$0.29 per diluted share) in the three months ended January 31, 2009.

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

- the absence of a \$9.6 million net legal settlement, related to a claim that was settled and resolved in the three months ended January 31, 2009; and
- deferred acquisition costs of \$1.0 million, expensed in the three months ended January 31, 2010, due to the adoption of Accounting Standards Codification™ Topic 805 “Business Combinations” (“ASC 805”);

partially offset by:

- a \$3.4 million year-over-year decrease in information technology costs, primarily related to the upgrade of the payroll, human resources and accounting systems in 2009;
- a \$2.5 million increase in operating profit, excluding the Corporate segment, primarily related to continued effective cost control measures;
- a \$1.4 million decrease in income taxes, primarily related to the decrease in income from continuing operations before income taxes; and
- a \$0.5 million decrease in interest expense as a result of a lower average outstanding balance and lower average interest rate under the line of credit.

**Revenues.** Revenues in the three months ended January 31, 2010 decreased \$17.6 million, or 2.0%, to \$870.0 million from \$887.5 million in the three months ended January 31, 2009. The decrease in revenues was primarily related to the continued impact of losses of client contracts that exceeded new business, reductions in the level and scope of services demanded by clients, contract price compression and declines in the level of tag work experienced in 2009, primarily in the Janitorial and Security segments. However, beginning in the second half of 2009 and continuing through January 31, 2010, the net impact of client contract losses decreased (as compared to the first half of 2009). As a result, total revenues in the three months ended January 31, 2010, as compared to the three months ended October 31, 2009, were relatively flat. Additionally, approximately \$4.5 million, or 25.8%, of the decrease in revenues was due to the reduction of expenses incurred on the behalf of managed parking facilities, which are reimbursed to the Company. These reimbursed expenses are recognized as parking revenues and expenses and have no impact on operating profit.

**Operating Expenses.** As a percentage of revenues, gross margin was 10.1% and 11.3% in the three months ended January 31, 2010 and 2009, respectively. The decrease in gross margin percentage was primarily related to a \$9.6 million net legal settlement for a claim that was settled and resolved in the three months ended January 31, 2009.

**Selling General and Administrative Expenses.** Selling, general and administrative expenses decreased \$8.6 million, or 12.0%, in the three months ended January 31, 2010 compared to the three months ended January 31, 2009.

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

- a \$5.0 million decrease in selling, general and administrative costs at the Janitorial segment, primarily related to cost control measures; and
- a \$3.4 million year-over-year decrease in information technology costs, primarily related to the upgrade of the payroll, human resources and accounting systems in 2009;

partially offset by:

- deferred acquisition costs of \$1.0 million, expensed in the three months ended January 31, 2010, due to the adoption of ASC 805.

**Interest Expense.** Interest expense in the three months ended January 31, 2010 decreased \$0.5 million, or 27.2%, to \$1.2 million from \$1.7 million in the three months ended January 31, 2009. The decrease was primarily related to a lower average outstanding balance and a lower average interest rate under the line of credit in the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The average outstanding balance under the Company's line of credit was \$169.6 million and \$237.0 million during the three months ended January 31, 2010 and 2009, respectively.

**Segment Information.** The revenues and operating profits for the Company's reportable segments (Janitorial, Parking, Security, and Engineering) were as follows:

(\$ in thousands)	Three Months Ended January 31, 2010	Three Months Ended January 31, 2009	Increase (Decrease) \$	Increase (Decrease) %
<b>Revenues</b>				
Janitorial	\$ 584,079	\$ 608,420	\$ (24,341)	(4.0)%
Parking	112,588	115,669	(3,081)	(2.7)%
Security	83,597	85,583	(1,986)	(2.3)%
Engineering	89,351	77,216	12,135	15.7%
Corporate	269	584	(315)	(53.9)%
	<u>\$ 869,884</u>	<u>\$ 887,472</u>	<u>\$ (17,588)</u>	<u>(2.0)%</u>
<b>Operating profit</b>				
Janitorial	\$ 34,084	\$ 32,311	\$ 1,773	5.5%
Parking	5,026	4,142	884	21.3%
Security	1,346	1,794	(448)	(25.0)%
Engineering	4,992	4,666	326	7.0%
Corporate	(23,242)	(16,919)	(6,323)	(37.4)%
<b>Operating profit</b>	22,206	25,994	(3,788)	(14.6)%
Interest expense	1,215	1,668	(453)	(27.2)%
Income from continuing operations before income taxes	<u>\$ 20,991</u>	<u>\$ 24,326</u>	<u>\$ (3,335)</u>	<u>(13.7)%</u>

**Janitorial.** Janitorial revenues decreased \$24.3 million, or 4.0%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The decrease in revenues was primarily related to the continued impact of losses of client contracts, reductions in the level and scope of services demanded by clients, contract price compression and declines in the level of tag work experienced in 2009, partially offset by additional revenues from new clients in the three months ended January 31, 2010.

Despite the reductions in revenue, operating profit increased \$1.8 million, or 5.5%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The increase was primarily related to effective cost control measures put in place throughout 2009 which continued into the three months ended January 31, 2010, partially offset by increases in payroll related costs from increases in state unemployment insurance rates that went into effect on January 1, 2010.

**Parking.** Parking revenues decreased \$3.1 million, or 2.7%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The decrease was primarily related to a \$4.5 million reduction of expenses incurred on the behalf of managed parking facilities, which are reimbursed to the Company. These reimbursed expenses are recognized as parking revenues and expenses, which have no impact on operating profit. The decrease in management reimbursement revenues was offset by a \$1.4 million increase in lease and allowance revenues from new clients and the expansion of service to existing clients.

Operating profit increased \$0.9 million, or 21.3%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The increase was primarily related to effective cost control measures put in place throughout 2009 which continued into the three months ended January 31, 2010, partially offset by increases in payroll related costs from increases in state unemployment insurance rates that went into effect on January 1, 2010.

**Security.** Security revenues decreased \$2.0 million, or 2.3%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The decrease in revenues was primarily related to the continued impact of losses of client contracts and contract price compression experienced in 2009, partially offset by increases in revenues from new clients in the three months ended January 31, 2010.

Operating profit decreased \$0.4 million, or 25.0%, in the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The decrease was primarily related to the decrease in revenues and increases in payroll related costs from increases in the state unemployment insurance rates that went into effect on January 1, 2010.

**Engineering.** Engineering revenues increased \$12.1 million, or 15.7%, during the three months ended January 31, 2010 compared to the three months ended January 31, 2009. The increase was primarily related to additional revenues from new clients and the expansion of services to existing clients.

Operating profit increased by \$0.3 million, or 7.0%, in the three months ended January 31, 2010 compared to the three months ended January 31, 2009, primarily related to the increase in revenues at lower gross profit margins, partially offset by increases in payroll related costs from increases in state unemployment insurance rates that went into effect on January 1, 2010.

**Corporate.** Corporate expense increased \$6.3 million, or 37.4%, in the three months ended January 31, 2010 compared to the three months ended January 31, 2009.

The increase in Corporate expense was primarily related to:

- the absence of a \$9.6 million net legal settlement related to a claim that was settled and resolved in the three months ended January 31, 2009; and
- deferred acquisition costs of \$1.0 million, expensed in the three months ended January 31, 2010, due to the adoption of ASC 805;

partially offset by:

- a \$3.4 million year-over-year decrease in information technology costs, primarily related to the upgrade of the payroll, human resources and accounting systems in 2009.

### **Contingencies**

The Company has been named a defendant in certain proceedings arising in the ordinary course of business. 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 accompanying condensed 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. Legal costs associated with loss contingencies are expensed as incurred.

The Company is a defendant in several purported class action lawsuits related to alleged violations of federal or California wage-and-hour laws. The named plaintiffs in these lawsuits are current or former employees of ABM subsidiaries who allege, among other things, that they were required to work "off the clock," were not paid for all overtime, were not provided work breaks or other benefits, and/or that they received pay stubs not conforming to California law. In all cases, the plaintiffs generally seek unspecified monetary damages, injunctive relief or both. The Company believes it has meritorious defenses to these claims and intends to continue to vigorously defend itself.

The Company accrues amounts it believes are adequate to cover any liabilities related to litigation and arbitration proceedings, and other contingencies that the Company believes will result in a probable loss. However, the ultimate resolution of such matters is always uncertain. It is possible that any such 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 January 31, 2010 was \$5.1 million.

### **Accounting Pronouncements**

See Note 2, "Recently Adopted Accounting Pronouncements" and Note 16, "Recent Accounting Pronouncements" in the Notes to the Condensed Consolidated Financial Statements contained in Item 1, "Financial Statements" for a discussion of recently adopted and recently issued accounting pronouncements.

### **Critical Accounting Policies and Estimates**

The Company's accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates in the application of its accounting policies based on the best assumptions, judgments, and opinions of management. For a description of the Company's critical accounting policies, see Item 7, Management's Discussion and Analysis of Financial Conditions and Results of Operations, in the Company's 2009 Annual Report on Form 10-K for the year ended October 31, 2009. Management does not believe that there has been any material changes in the Company's critical accounting policies and estimates during the three months ended January 31, 2010.

## Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q, and in particular, statements found in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature, constitute forward-looking statements. These statements are often identified by the words, "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend," and words of a similar nature. Such statements reflect the current views of the Company with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Any number of factors could cause the Company's actual results to differ materially from those anticipated. These factors include but are not limited to the following:

- risks relating to our acquisition strategy may adversely impact our results of operations;
- intense competition can constrain our ability to gain business, as well as our profitability;
- we are subject to volatility associated with high deductibles for certain insurable risks;
- an increase in costs that we cannot pass on to clients could affect our profitability;
- we provide our services pursuant to agreements which are cancelable by either party upon 30 to 60 days' notice;
- our success depends on our ability to preserve our long-term relationships with clients;
- our transition to a shared services function could create disruption in functions affected;
- we incur significant accounting and other control costs that reduce profitability;
- a decline in commercial office building occupancy and rental rates could affect our revenues and profitability;
- deterioration in economic conditions in general could further reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition;
- financial difficulties or bankruptcy of one or more of our major clients could adversely affect results;
- our ability to operate and pay our debt obligations depends upon our access to cash;
- future declines or fluctuations in the fair value of our investments in auction rate securities that are deemed other-than-temporarily impaired could negatively impact our earnings;
- uncertainty in the credit markets may negatively impact our costs of borrowings, our ability to collect receivables on a timely basis and our cash flow;
- any future increase in the level of debt or in interest rates can affect our results of operations;
- an impairment charge could have a material adverse effect on our financial condition and results of operations;
- we are defendants in several class and representative actions or other lawsuits alleging various claims that could cause us to incur substantial liabilities;
- since we are an attractive employer for recent émigrés to this country and many of our jobs are filled by such, changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations and financial results and our reputation;
- labor disputes could lead to loss of revenues or expense variations;
- we participate in multi-employer defined benefit plans which could result in substantial liabilities being incurred; and
- natural disasters or acts of terrorism could disrupt our services.

Additional information regarding these and other risks and uncertainties the Company faces is contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2009 and in other reports it files from time to time with the Securities and Exchange Commission.



### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

#### **Market Risk Sensitive Instruments**

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

#### **Interest Rate Risk**

##### *Line of Credit*

The Company's exposure to interest rate risk primarily relates to its cash equivalents and London Interbank Offered Rate ("LIBOR") and Interbank Offered Rate ("IBOR") based borrowings under the \$450.0 million five year syndicated line of credit that expires in November 2012. At January 31, 2010, outstanding LIBOR and IBOR based borrowings of \$172.0 million represented 100% of the Company's total debt obligations. While these borrowings mature over the next 60 days, the line of credit extends through November 2012, subject to the terms of the line of credit. The Company anticipates borrowing similar amounts for periods of one week to three months. A hypothetical 1% increase in interest rates would add an additional interest expense of \$0.5 million on the average outstanding borrowings under the Company's line of credit, net of the interest rate swap agreement, during the remainder of 2010.

##### *Interest Rate Swap*

On February 19, 2009, the Company entered into a two-year interest rate swap agreement with an underlying notional amount of \$100.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 1.47%. This swap is intended to hedge the interest risk associated with \$100.0 million of the Company's floating-rate, LIBOR-based debt. The critical terms of the swap match the terms of the debt, resulting in no hedge ineffectiveness. On an ongoing basis (no less than once each quarter), the Company assesses whether its LIBOR-based interest payments are probable of being paid during the life of the hedging relationship. The Company also assesses the counterparty credit risk, including credit ratings and potential non-performance of the counterparty when determining the fair value of the swap.

As of January 31, 2010, the fair value of the interest rate swap was a \$1.1 million liability, which is included in retirement plans and other on the accompanying condensed consolidated balance sheet. The effective portion of this cash flow hedge is recorded as accumulated other comprehensive loss in the Company's accompanying condensed consolidated balance sheet and reclassified into interest expense in the Company's accompanying condensed consolidated statements of income in the same period during which the hedged transaction affects earnings. Any ineffective portion of the hedge is recorded immediately to interest expense. No ineffectiveness existed at January 31, 2010. The amount included in accumulated other comprehensive loss is \$1.1 million (\$0.6 million, net of taxes).

##### *Investment in Auction Rate Securities*

At January 31, 2010, the Company held investments in auction rate securities from five different issuers having an aggregate original principal amount of \$25.0 million. The investments are not subject to material interest rate risk. These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days based on spreads to a base rate (i.e., LIBOR). A hypothetical 1% increase in interest rates would add approximately \$0.2 million of additional interest income during the remainder of 2010.

##### *Foreign Currency*

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

#### Item 4. Controls and Procedures

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

**b. Changes in Internal Control Over Financial Reporting.** There were no changes in the Company's internal control over financial reporting during the quarter ended January 31, 2010 that have materially affected, or are 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.

The Company is a defendant in the following class action or purported class action lawsuits related to alleged violations of federal and/or state wage-and-hour laws:

- the consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services (ACSS) filed July 12, 2005, in the Superior Court of California, Los Angeles County (L.A. Superior Ct.) (the "Augustus case");
- the consolidated cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco ( the "Bucio case");
- the consolidated cases of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (the "Batiz case");
- the consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006, in L.A. Superior Ct (the "Diaz case");
- Khadera v. American Building Maintenance Co.-West and ABM Industries filed on March 24, 2008, in U.S. District Court of Washington, Western District (the "Khadera case"); and
- Villacres v. ABM Security filed on August 15, 2007, in the U.S. District Court of California, Central District ("the Villacres case.")

The named plaintiffs in the lawsuits described above are current or former employees of ABM subsidiaries who allege, among other things, that they were required to work "off the clock," were not paid proper minimum wage or overtime, were not provided work breaks or other benefits, and/or that they received pay stubs not conforming to state law. In all cases, the plaintiffs generally seek unspecified monetary damages, injunctive relief or both. The Company believes it has meritorious defenses to these claims and intends to continue to vigorously defend itself.



## [Table of Contents](#)

The previously reported case of Chen v. Ampco System Parking and ABM Industries filed on March 6, 2008, in the U.S. District Court of California, Southern District was settled on November 23, 2009. On January 5, 2010, a judge of the L.A. Superior Court, denied in part, and granted in part, certification of the Diaz class action. On February 19, 2010, a judge of the U.S. District Court of Court of Washington granted conditional certification in the Khadera case.

### **Item 1A. Risk Factors**

There have been no material changes to the risk factors identified in the Annual Report on Form 10-K for the year ended October 31, 2009, in response to Item 1A, Risk Factors, to Part I of the Annual Report.

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

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Reserved**

### **Item 5. Other Information**

None.

### **Item 6. Exhibits**

#### (a) Exhibits

10.1*‡	2006 Equity Incentive Plan, as Amended and Restated January 11, 2010.
10.2*‡	Statement of Terms and Conditions Applicable to Options, Restricted Stock, Restricted Stock Units and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, as Amended and Restated January 11, 2010.
10.3*‡	Amended and Restated Employment by and between Henrik C. Slipsager and ABM Industries Incorporated, dated December 16, 2009.
31.1‡	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2‡	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1‡	Director Stock Ownership Guidelines

\* Indicated management contract, plan or arrangement.

‡ Indicates filed herewith

† Indicates furnished herewith

**SIGNATURES**

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

ABM Industries Incorporated

March 4, 2010

/s/ James S. Lusk \_\_\_\_\_

James S. Lusk  
Executive Vice President and  
Chief Financial Officer  
(Duly Authorized Officer)

**2006 EQUITY INCENTIVE PLAN**  
**(As Amended and Restated January 11, 2010)**

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(x) “Fair Market Value” of a Share as of a specified date 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.

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

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

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

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

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

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

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

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

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

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

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

(jj) “Performance Shares” means an Award denominated in Shares granted pursuant to Section 11 that may be earned in whole or in part based upon attainment of performance objectives established by the Administrator pursuant to Section 14.

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

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

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

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

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

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

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

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

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

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

### **3. EFFECTIVE DATE.**

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

### **4. ADMINISTRATION.**

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

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

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

(c) Delegation of Authority to an Officer of the Company. 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 the Administrator 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 19, 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, 2.12 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 7,879,265 Shares. Notwithstanding the foregoing, for any one Share issued in connection with a Full Value Award, 2.12 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 19.

## **7. TERMS AND CONDITIONS OF OPTIONS.**

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

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

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

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

(d) Term and Exercise of Options; Nontransferability of Options. Each Option shall state the date after which it shall cease to be exercisable. No Option shall be exercisable after the expiration of 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 independent members of the Board or the Independent Committee shall determine whether a Participant's employment is terminated by reason of Cause. In making such determination, such body shall act fairly and shall give the Participant an opportunity to be heard and present evidence on his or her behalf. If a Participant's employment terminates for reasons other than Cause, but Cause is discovered after the termination and is determined to have occurred by such body, all outstanding Options shall cease to be exercisable upon such determination.

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

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

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

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

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

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

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

## **8. STOCK APPRECIATION RIGHTS.**

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

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

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

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

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

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

(f) Termination of Employment. Each Stock Appreciation Right Agreement shall set forth the extent to which the Participant shall have the right to exercise the Stock Appreciation Right following termination of the Participant's employment 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 Rights Agreements entered into pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

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

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

## **9. RESTRICTED STOCK.**

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

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

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

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

(ii) Except as provided in this paragraph (ii) and paragraph (i) above, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any cash dividends. 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 cancelled.

#### **10. RESTRICTED STOCK UNITS.**

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

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

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

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

(ii) Dividend equivalents may be credited in respect of Restricted Stock Units, as the Administrator deems appropriate. Such dividend equivalents may be paid in cash 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:

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

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

## **12. OTHER SHARE-BASED AWARDS.**

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

Subject to the provisions of the Plan, the Administrator shall have sole and complete authority to determine the Employees and Directors to whom and the time or times at which Other Share-Based Awards shall be made, the number of Shares or other securities, if any, to be granted pursuant to Other Share-Based Awards, and all other conditions of the Other Share-Based Awards. The Administrator may condition the grant of an Other Share-Based Award upon the attainment of specified performance goals or such other factors as the Administrator shall determine, in its sole discretion. In granting an Other Share-Based Award, the Administrator may determine that the recipient of an Other Share-Based Award shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Shares or other securities covered by the Award, and the Administrator may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. The terms of any Other Share-Based Award shall be set forth in an Other Share-Based Award Agreement between the Company and the Participant, which Agreement shall contain such provisions as the Administrator determines to be necessary or appropriate to carry out the intent of the Plan.



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

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

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

### **13. OTHER PAYMENTS IN SHARES.**

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

### **14. PERFORMANCE OBJECTIVES.**

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

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

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

#### **15. CHANGE IN CONTROL.**

(a) Discretion to Accelerate. An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the applicable Award Agreement and determined by the Administrator on a grant by grant basis or as may be provided in any other written agreement between the Company and any Affiliate or Subsidiary and the Participant; provided, however, that in the absence of such provision, no such acceleration shall occur and any such acceleration shall be subject to the limits set forth in Section 15(b).

(b) Limitation on Acceleration. In connection with any acceleration of vesting or change in exercisability upon or after a Change in Control, if any amount or benefit to be paid or provided under an Award or under any other agreement between a Participant and Company would be an Excess Parachute Payment (including after taking into account the value, to the maximum extent permitted by Code Section 280G, of covenants by or restrictions on Participant following the Change in Control), then the payments and benefits to be paid or provided will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will not be made if such reduction would result in a Participant receiving an After-Tax Amount less than 90% of the After-Tax Amount of the payments Participant would have received under such Awards or any other

agreement without regard to this limitation. Whether requested by a Participant or the Company, the determination of whether any reduction in such payments or benefits is required pursuant to the preceding sentence, and the value to be assigned to any covenants by or restrictions on Participant, for purposes of determining the amount, if any, of the Excess Parachute Payment will be made at the expense of the Company by the Company's independent accountants or benefits consultant. The fact that a Participant's right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights of a Participant under any other agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this paragraph, a Participant will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this paragraph, provided, however, that payments that do not constitute deferred compensation within the meaning of Section 409A will be reduced first. The Company will provide Participant with all information reasonably requested by Participant to permit Participant to make such designation. In the event that Participant fails to make such designation within 10 business days after receiving notice from the Company of a reduction under this paragraph, the Company may effect such reduction in any manner it deems appropriate.

#### **16. FORFEITURE FOR CAUSE.**

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

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

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

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

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

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

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

**17. RECOUPMENT IN THE EVENT OF A RESTATEMENT.**

Notwithstanding any other provision of this Plan to the contrary, if the Company's financial statements are the subject of a restatement due to misconduct, fraud or malfeasance, then the following shall apply:

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

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

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

**18. TERM OF PLAN.**

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

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

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

## **20. SECURITIES LAW REQUIREMENTS AND LIMITATION OF RIGHTS.**

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

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

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

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

## **21. BENEFICIARY DESIGNATION.**

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

## **22. AMENDMENT OF THE PLAN.**

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

- (a) Increase the number of Shares subject to the Plan;
- (b) Change the designation in Section 5 of the class of Employees eligible to receive Awards;
- (c) Decrease the price at which Incentive Stock Options may be granted;
- (d) Remove the administration of the Plan from the Administrator; or
- (e) Amend this Section 22 to defeat its purpose.

**23. NO AUTHORITY TO REPRICE.**

Without the consent of the shareholders of the Company, except as provided in Section 19, the Administrator shall have no authority to effect 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.

**24. NO OBLIGATION TO EXERCISE OPTION.**

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

**25. APPROVAL OF SHAREHOLDERS.**

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

**26. WITHHOLDING TAXES.**

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

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

**27. SUCCESSORS AND ASSIGNS.**

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

**28. EXECUTION.**

To record the adoption of the Plan as amended and restated on January 11, 2010, the Company has caused its authorized officer to execute the same.

**ABM INDUSTRIES INCORPORATED**

By: /s/ Erin Andre  
Its: Senior Vice President,  
Human Resources



**ABM INDUSTRIES INCORPORATED**  
**STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO**  
**OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS**  
**AND PERFORMANCE SHARES GRANTED TO EMPLOYEES**  
**PURSUANT TO THE 2006 EQUITY INCENTIVE PLAN**  
*(As Amended and Restated January 11, 2010)*

**I. INTRODUCTION**

The following terms and conditions shall apply to each Award granted under the Plan to an Employee 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. "Cause" means, with respect to a Participant:
- (i) serious misconduct, dishonesty, disloyalty or insubordination;
  - (ii) the Participant's conviction (or entry of a plea bargain admitting criminal guilt) of any felony or misdemeanor involving moral turpitude;
  - (iii) drug or alcohol abuse that has a material or potentially material effect on the Company's reputation and/or the performance of the Participant's duties and responsibilities under the Participant's employment agreement;
  - (iv) failure to substantially perform the Participant's duties or responsibilities under the Participant's employment agreement for reasons other than death or disability;
  - (v) repeated inattention to duty for reasons other than death or disability; or
  - (vi) any other material breach of the Participant's employment agreement by the Participant.
- B. "Competitive Activity" shall mean, with respect to a Participant, the Participant's participation, without the written consent signed by an officer of the Company and authorized by the Board, in the management of any business enterprise if (i) such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 10% of the Company's net sales for its most recently completed fiscal year or (ii) the primary business done or intended to be done by such enterprise is in direct competition with the business of providing facility services in any geographic market in which the Company operates. "Competitive Activity" will not include the mere ownership of securities in any such enterprise and the exercise of rights appurtenant thereto, if such ownership is less than 5% of the outstanding voting securities or units of such enterprise.
-

- C. “Excess Equity Award” means the positive difference, if any, between the value of the Award granted to an Executive Officer and the Award that would have been made to such Executive Officer had the amount of the Award been calculated based on the Company’s financial statements as restated.
- D. “Executive Officer” means any person who is an officer of the Company for purposes of Section 16 of the Exchange Act.
- E. “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.
- F. “Grant Date” means the date the Administrator grants the Award.
- G. “Independent Committee” means any committee consisting of independent Directors designated by the independent members of the Board.
- H. “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.
- I. “Option Proceeds” means, with respect to any sale or other disposition of Shares issued or issuable upon the exercise of an Option, an amount determined appropriate by the independent members of the Board or the Independent Committee, in its sole judgment, to reflect the effect of a restatement of the Company’s financial statements on the Company’s stock price, up to an amount equal to the number of Shares sold or disposed of, multiplied by a number equal to the difference between the Fair Market Value per Share at the time of sale or disposition and the Exercise Price.
- J. “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, including whether the Option is an Incentive Stock Option or a Nonqualified Stock 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 Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the 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, V and VI. 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 V, VI and VII, an Option shall be exercisable during the Option Period in accordance with the following vesting schedule: (i) 25% of the Shares subject to the Option shall vest on the first anniversary of the Grant Date; (ii) an additional 25% of the Shares shall vest on the second anniversary of the Grant Date; (iii) an additional 25% of the Shares shall vest on the third anniversary of the Grant Date; and (iv) the remaining 25% 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 Sections III.E, V, VI and VII. 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 Employment. In addition to the terms set forth in the Plan with respect to termination of employment:

1. If a Participant ceases to be a bona fide employee of the Company or an Affiliate due to his or her Retirement, Disability or death during the Option Period, in addition to any Shares vested under the Option Agreement prior to the date of Disability or death, the Option shall vest in the number of Shares equal to 25% 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 Option grant and the date of Retirement, Disability or death, and divided by 12.
2. If a Participant who ceases to be a bona fide employee of the Company or an Affiliate is subsequently rehired prior to the expiration of his or her Option, then the Option shall continue to remain outstanding until such time as the Participant subsequently terminates employment or the Option otherwise terminates pursuant to this Statement of Terms and Conditions. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section III.E shall be reduced by the number of days between the date of the Participant's initial termination of employment and his or her rehire date; provided, however, that if the rehired Participant continues to be employed by the Company or an Affiliate for at least one year from his or her rehire date, then the post-termination exercise period for the Option shall be determined in accordance with the Plan and shall not be adjusted as described above.

- 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 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 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. In the event a Participant tenders Shares to pay the Exercise Price, tender of Shares acquired through exercise of an Incentive Stock Option may result in unfavorable income tax consequences unless such Shares are held for at least two years from the Grant Date of the Incentive Stock Option and one year from the date of exercise of the Incentive Stock Option;
    - 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 plus any applicable withholding taxes and to transfer the proceeds of such sale to the Company; and
  2. If required by the Company, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give his or her assurance 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 thereunder 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 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.

- 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, RESTRICTED STOCK UNITS, AND PERFORMANCE SHARES**

- A. Agreement. A Restricted Stock Award, Restricted Stock Unit Award, or Performance Share 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, Restricted Stock Unit Award, or Performance Share 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, Performance Share Award Agreement, or this Statement of Terms and Conditions.
1. Restrictions. Until the restrictions imposed on any Restricted Stock Award shall lapse, shares of Restricted Stock granted to a Participant: (a) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, and (b) shall, if the Participant experiences a "separation from service" (within the meaning of Section 409A of the Code) from the Company or an Affiliate for any reason (except as otherwise provided in the Plan or in Section IV.B.2) be returned to the Company forthwith, and all the rights of the Participant to such Shares shall immediately terminate. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber such Restricted Stock Units or Performance Shares, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the Employee Retirement Income Security Act. If a Participant experiences a "separation from service" (within the meaning of Section 409A of the Code) from the Company or an Affiliate (except as otherwise provided in the Plan or in Section IV.B.2) prior to the lapse of the restrictions imposed on a Restricted Stock Unit Award or Performance Share Award, the unvested portion of the Restricted Stock Unit Award or Performance Share Award shall be forfeited to the Company, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Company or an Affiliate because of his or her short-term disability or because the Participant is on an approved leave of absence, if the period of such leave does not exceed six months (or if longer, so long as the individual retains a right to reemployment with the Company under an applicable statute or by contract), the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have experienced a "separation from service" (within the meaning of Section 409A of the Code) from the Company or an Affiliate except as the Administrator may otherwise expressly determine. Notwithstanding the foregoing, if the Participant is on a voluntary leave of absence for the purpose of serving the government of the country of which the Participant is a citizen or in which the Participant's principal place of employment is located, such leave shall be considered an approved leave of absence.

2. Termination of Employment by Reason of Retirement, Disability or Death.

- a. Restricted Stock Awards and Restricted Stock Unit Awards. 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 in the continuous employment of the Company or an Affiliate since the Grant Date of a Restricted Stock Award or Restricted Stock Unit Award ceases to be a bona fide employee of the Company or an Affiliate, which cessation constitutes a "separation from service" under Section 409A of the Code and which is a result of Retirement, Disability or death, then the restrictions shall lapse as to the number of Shares or Share Equivalents equal to: (i) 50% of the number of Shares or Share Equivalents originally subject to the Award, multiplied by (ii) the number of whole months between the Grant Date (or if the Grant Date occurred more than two years prior to the date of Retirement, Disability or death, the second anniversary of the Grant Date) and the date of Retirement, Disability or death, divided by (iii) 24.
  - b. Performance Share Awards. Notwithstanding any provision contained herein or in the Plan or the Performance Share Agreement to the contrary, if a Participant who has been in the continuous employment of the Company or an Affiliate since the Grant Date of a Performance Share Award ceases to be a bona fide employee of the Company or an Affiliate as a result of Retirement, Disability or death, then at the end of the performance period the restrictions shall lapse as to the number of Share Equivalents equal to: (i) the number of Performance Shares vested in accordance with the performance objectives established by the Administrator for the Award, multiplied by (ii) the number of whole months between the Grant Date and the date of Retirement, Disability or death, divided by (iii) the number of months in the performance period.
- C. Dividends, Dividend Equivalents, and Business Transactions. Upon cash 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, which shall be subject to the same restrictions as the original Award for the duration of the Restricted Period. Upon cash dividends being paid on outstanding shares of ABM common stock, dividend equivalents shall be credited in respect of Restricted Stock Units and Performance Shares, which shall be converted into additional Restricted Stock Units or Performance Shares, which will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award or Performance Share Award, including the same vesting restrictions as the underlying Award. Upon stock dividends being paid on outstanding shares of ABM common stock or a Business Transaction, the Administrator is authorized to take such actions and make such changes with respect to outstanding Awards, including the performance criteria for the termination of restrictions on Awards, as are consistent with the Plan and this Statement of Terms and Conditions to effect the terms of the Awards.

- D. Election to Recognize Gross Income in the Year of Grant. If any Participant validly elects within thirty days of the Grant Date to include in gross income for federal income tax purposes an amount equal to the Fair Market Value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall pay to the Company, or make arrangements satisfactory to the Administrator to pay to the Company in the year of such grant, any federal, state or local taxes required to be withheld with respect to such shares in accordance with Section VIII.F.
- E. No Shareholder Rights for Restricted Stock Units or Performance Shares. 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 or Performance Share Award except to the extent that a stock certificate has been issued with respect to such Shares upon the payment of any vested Restricted Stock Unit Award or Performance Share Award.
- F. Time of Payment of Restricted Stock Units and Performance Shares.
1. Subject to Section IV.F.2 below, upon the lapse of the restriction imposed on Restricted Stock Unit Awards or Performance Share Awards, all Restricted Stock Units and Performance Shares that were not forfeited pursuant to Sections IV.B.1, V or VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse but not later than 75 days following the date on which the restrictions lapse. Payment shall be made in Shares in the form of a stock certificate. The foregoing notwithstanding, the Participant may elect to defer payment of the Restricted Stock Units in the manner described in Section IV.G;
  2. To the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts that would otherwise be payable pursuant to Section IV.F of this Statement of Terms and Conditions during the six-month period immediately following a Participant's termination of employment shall instead be paid on the first business day after the date that is six months following the Participant's termination of employment (or upon the Participant's death, if earlier).
- G. Deferral Election. Each Participant, pursuant to rules established by the Administrator, may be entitled to elect to defer all or a percentage of any payment in respect of a Restricted Stock Unit Award or Performance Shares that he or she may be entitled to receive as determined pursuant to Section IV.F. This election shall be made by giving notice in a manner and within the time prescribed by the Administrator and in compliance with Code Section 409A. Each Participant must indicate the percentage (expressed in whole percentages) he or she chooses to defer of any payment 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 Company shall become irrevocable in accordance with the terms and conditions of the Company's Deferred Compensation Plan (or any successor plan) and in compliance with Code Section 409A.

#### **V. SPECIAL FORFEITURE AND REPAYMENT RULES IN THE EVENT OF CONDUCT CONSTITUTING CAUSE**

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the independent members of the Board or the Independent Committee determines that a Participant has engaged in conduct which constitutes Cause, the following provisions shall apply:

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

- B. The lapse of restrictions on or vesting of Restricted Stock, Restricted Stock Units, or Performance Shares that have vested or upon which the restrictions have lapsed within the 36-month period immediately prior to the date it is determined that the Participant engaged in conduct constituting Cause (the "Determination Date") shall be rescinded and all outstanding Awards shall be cancelled. The Participant shall deliver to the Company the Shares delivered upon vesting or lapse of restrictions if such vesting or lapse of restrictions has been rescinded and the Shares retained by the Participant.
- C. The independent members of the Board or the Independent Committee may, to the extent permitted by applicable law, rescind any Awards made to the Participant within the 36-month period immediately prior to the Determination Date.
- D. The independent members of the Board or the Independent Committee may, to the extent permitted by applicable law, recover any gains realized from the sale of vested Shares or the sale or other disposition of any Shares issued or issuable upon the exercise of an Option, in the case of any such sale or other disposition during the 36-month period immediately prior to the Determination Date.

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

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

## **VI. RECOUPMENT IN THE EVENT OF A RESTATEMENT**

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Company's financial statements are the subject of a restatement due to misconduct, fraud or malfeasance, then the following shall apply:

- A. To the extent permitted by governing law, the independent members of the Board or the Independent Committee may, in its discretion, (1) rescind any Excess Equity Award or portion thereof made to an Executive Officer within the 36-month period immediately prior to the date such material restatement is first publicly disclosed and (2) in the event that an Executive Officer has sold or otherwise disposed of some or all of the Shares subject to the Excess Equity Award, recover any gains made from the sale or other disposition of such Shares that was effected during the 36-month period immediately prior to the date such material restatement is first publicly disclosed. In no event shall the Company be required to award an Executive Officer additional equity incentive compensation should the restated financial statements result in a higher equity incentive payment.
- B. In addition to the foregoing, the independent members of the Board or the Independent Committee may, in its discretion, require that an Executive Officer pay the Company, in cash and upon demand, Option Proceeds resulting from the sale or other disposition of Shares issued or issuable upon the exercise of an Option if the sale or disposition was effected during the 36-month period immediately prior to the date such material restatement is first publicly disclosed.



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

## VII. CHANGE IN CONTROL

- A. Effect of Change in Control on Options. Subject to the limitations set forth in Section VII.C, in the event of a Change in Control, the surviving, continuing, successor, or purchasing Company or other business entity or parent thereof, as the case may be (the “Acquiror”) may, without the consent of any Participant, either assume or continue the Company’s rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options covering the Acquiror’s stock. All Options assumed or continued by the Acquiror in connection with a Change in Control will become fully vested and exercisable if the Participant’s employment is terminated without Cause at any time during the 12-month period following the Change in Control.

Any Option granted one year or more prior to the Change in Control that is neither assumed nor continued by the Acquiror in connection with the Change in Control shall, contingent on the Change in Control, become fully vested and exercisable immediately prior to the Change in Control. Any Option granted less than one year prior to the Change in Control that is neither assumed nor continued by the Acquiror in connection with the Change in Control shall, to the extent not previously vested and exercisable, immediately prior to the Change in Control become vested and exercisable as to the number of Shares subject to such Option equal to (i) the number of Shares originally subject to such Option, multiplied by (ii) the number of whole months between the Grant Date and the Change in Control, divided by (iii) the number of months between the Grant Date and the date on which all Shares originally subject to such Option would have been fully vested and exercisable; and such Option shall terminate with respect to all remaining Shares subject to such Option.

- B. Effect of Change in Control on Awards Other than Options. Subject to the limitations set forth in Section VII.C, in the event of a Change in Control, the Acquiror may, without the consent of any Participant, either assume or continue the Company’s rights and obligations under outstanding Awards other than Options or substitute for such Awards substantially equivalent awards covering the Acquiror’s stock. All Awards other than Options assumed or continued by the Acquiror in connection with a Change in Control will become fully vested and all restrictions on such Awards will lapse if the Participant’s employment is terminated without Cause at any time during the 12-month period following the Change in Control. Any Award that is neither assumed nor continued by the Acquiror in connection with the Change in Control shall, upon the Change in Control, become fully vested and all restrictions shall be released immediately prior to the Change in Control, and all Restricted Unit Awards and Performance Share Awards shall become immediately payable. Notwithstanding anything in this Section VII.B to the contrary, if the Change in Control does not constitute a “change in effective ownership or control” of the Company within the meaning of Code Section 409A, the Restricted Stock Units and Performance Shares granted pursuant to this Statement of Terms and Conditions will vest as provided in this Section VII.B, but will be payable to the Participant in accordance with the provisions of Section IV.

- C. Excess Parachute Payments. Subject to a Severance Agreement between the Participant and the Company approved by the Board of Directors or the Compensation Committee, if any amount or benefit to be paid or provided under an Award or any other agreement between a Participant and the Company would be an Excess Parachute Payment but for the application of this sentence, then the payments and benefits to be paid or provided under the Award and any other agreement 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. The determination of whether any reduction in such payments or benefits to be provided under the Award or any other agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by independent accountants or the Company's benefits consultant. The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights of the Participant under any other agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this paragraph, the Participant will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this paragraph. The Company will provide the Participant with all information reasonably requested by the Participant to permit the Participant to make such designation. In the event that the Participant fails to make such designation within 10 business days after receiving notice from the Company of a reduction under this paragraph, the Company may effect such reduction in any manner it deems appropriate.

## VIII. MISCELLANEOUS

- A. No Effect on Terms of Employment. Subject to the terms of any employment contract entered into by the Company and a Participant to the contrary, the Company (or an Affiliate which employs him or her) shall have the right to terminate or change the terms of employment of a Participant at any time and for any reason whatsoever.
- B. 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.
- C. Information Notification. Any information required to be given under the terms of an Award Agreement shall be addressed to the Company in writing by mail, overnight delivery service, or by electronic transmission to the Senior Vice President, Human Resources and the Assistant Vice President & Director of Compensation. Any notice to be given to a Participant shall be given in writing by mail, overnight delivery service, or by electronic transmission.
- D. 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.
- E. 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.

- F. Withholding. Each Participant shall agree to make appropriate arrangements with the Company and his or her employer for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements. If approved by the Company at the time of exercise, such arrangements may include an election by a Participant to have the Company retain some portion of the Stock acquired pursuant to exercise of an Option to satisfy such withholding requirements. The election must be made prior to the date on which the amount to be withheld is determined. If a qualifying election is made, then upon exercise of an Option, in whole or in part, the Company will retain the number of Shares having a value equal to the amount necessary to satisfy any withholding requirements. Calculation of the number of Shares to be withheld shall be made based on the Fair Market Value of the Stock. In no event, however, shall the Company be required to issue fractional shares of Stock. The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

With respect to the vesting of an Award other than an Option, if the Participant does not make an arrangement with the Company and his or her employer for satisfaction of the applicable income and withholding requirements or social security requirements in advance of the vesting date, the Company shall retain the number of Shares (that otherwise would have been payable to the Participant) having a value equal to the amount necessary to satisfy any withholding requirements. Calculation of the number of such Shares shall be as described above.

- G. 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.
- H. 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.

## EXECUTION COPY

## AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

**THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT** (“Agreement”) is effective as of December 16, 2009 (the “Effective Date”), by and between Henrik C. Slipsager (“Executive”) and ABM Industries Incorporated for itself and on behalf of its subsidiary corporations as applicable herein.

**WHEREAS**, the subsidiaries of ABM (as hereinafter defined) are engaged in the building maintenance and related service businesses, and

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

**WHEREAS**, Executive and ABM are party to an Amended and Restated Employment Agreement dated July 15, 2008 (the “Prior Agreement”),

**WHEREAS**, the parties desire to amend and restate the Prior Agreement,

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

**WHEREAS**, ABM and its subsidiaries have disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of his duties and responsibilities as Chief Executive Officer and under this Agreement, and

**WHEREAS**, Executive wishes to, or has been and desires to remain employed by ABM, and to utilize such proprietary trade secrets, other confidential business information and goodwill in connection with his employment,

**NOW THEREFORE**, Executive and ABM agree as follows:

1. **EMPLOYMENT.** ABM hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.
  2. **TITLE.** Executive’s title shall be President and Chief Executive Officer of ABM, subject to modification as mutually agreed upon by ABM and Executive.
  3. **DEFINITIONS.** The capitalized terms used in this agreement shall have the following definitions:
-

- A. "ABM" means ABM Industries Incorporated, its successors, and assigns.
- B. "Base Salary" means the salary paid under Paragraph 7A for the applicable Fiscal Year.
- C. "Board" means the Board of Directors of ABM.
- D. "Bonus" means a performance-based bonus payable under Paragraph 7B of this Agreement.
- E. "CEO Committee" means a committee designated by the Board which shall constitute all of the Independent Directors.
- F. "Company" means ABM and its subsidiaries.
- G. "Compensation Committee" means the Compensation Committee of the Board.
- H. "EOIP" means the ABM Executive Officer Incentive Plan adopted by the Board on January 10, 2006, as such plan may be amended from time to time, or any successor plan.
- I. "Executive" means Henrik C. Slipsager.
- J. "Extended Term" means the period for which this agreement is extended under Paragraph 14 of this Agreement.
- K. "Fiscal Year" means the period beginning on November 1 of a calendar year and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as ABM's fiscal year.
- L. "Independent Directors" means the directors designated by the Board as independent directors, which persons shall qualify both as independent under the rules and regulations of the New York Stock Exchange and as outside directors under Section 162(m).
- M. "Initial Term" is the period beginning on the Effective Date and ending on October 31, 2013, unless sooner terminated under Paragraph 15 of this Agreement.
- N. "Just Cause" means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his employment duties, (vi) material and willful breach of this Agreement, (vii) other

misconduct, unethical or unlawful activity, (viii) 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 (ix) 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.

- O. “Performance Assessment” means the Compensation Committee’s annual assessment, after consultation with the CEO Committee, of Executive’s performance against the Performance Criteria.
  - P. “Performance Criteria” means the performance criteria for Executive established annually by the Compensation Committee, after consultation with the CEO Committee, in accordance with Paragraph 7B of this Agreement.
  - Q. “Section 162(m)” means Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder, or any successor statute.
  - R. “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder, or any successor statute.
  - S. “Significant Transaction” means the Company’s acquisition or disposition of a business or assets which ABM is required to report under Item 2.01 of Form 8-K under the rules and regulations issued by the Securities and Exchange Commission.
  - T. “State of Employment” means New York.
  - U. “Target Bonus” means 100% of Executive’s Base Salary.
  - V. “Total Disability” means Executive’s inability to perform his duties under this Agreement and shall be deemed to occur on the 91st consecutive or nonconsecutive calendar day within any 12 month period that Executive is unable to perform his duties under this Agreement because of any physical or mental illness or disability.
4. **DUTIES & RESPONSIBILITIES.** Executive shall assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Board, to which Executive shall report and be accountable.

5. **TERM OF AGREEMENT.** This agreement shall end on October 31, 2013, unless sooner terminated pursuant to Paragraph 15 or later extended to an Extended Term under Paragraph 14 of this Agreement.
6. **PRINCIPAL OFFICE.** During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at an ABM office located in the State of Employment or such other location as shall be mutually agreed upon by the Board and Executive.
7. **COMPENSATION.** ABM agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:
  - A. **SALARY.** Executive shall be entitled to a Base Salary in an amount to be determined by the CEO Committee in its sole discretion, provided that Executive's initial Base Salary shall be \$765,000.
  - B. **BONUS.** Subject to the provisions of the EOIP, the provisions of Paragraph 15 and subparagraphs (iii), (iv) and (v) below, Executive shall be entitled to a Bonus for each Fiscal Year, as follows:
    - i. Executive's Bonus may range from 0% to 180% of the Target Bonus and shall be based on the Performance Assessment of Executive for the applicable Fiscal Year evaluated on the basis of the Performance Criteria. Performance Criteria may include both ABM and individual objectives, may be both qualitative and quantitative in nature and shall be established and communicated to Executive within 90 days after the beginning of the Fiscal Year for which they apply. The Compensation Committee or the CEO Committee (or members of such committees) may seek the views of members of the Board with respect to whether the Performance Criteria have been achieved, provided that the Performance Assessment shall be solely determined by the Compensation Committee. The determination of the Bonus amount for each Fiscal Year shall be determined by the CEO Committee.
    - ii. The Performance Criteria may be adjusted by the Compensation Committee, after consultation with the CEO Committee, in the event of a Significant Transaction and/or for any unanticipated and material events that are beyond the control of ABM, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, rules of the New York Stock Exchange and/or for any other reason which the Compensation Committee determines, in good faith, to be appropriate, provided that no adjustment

shall be permitted to the extent it would result in the nondeductibility of any portion of the Bonus under Section 162(m).

- iii. ABM shall pay Executive the Bonus for each Fiscal Year as soon as practicable following completion of the audit of ABM's financial statements for such Fiscal Year and within 10 days after determination of the Bonus by the CEO Committee. Notwithstanding the foregoing, the Bonus shall be paid no later than March 15th of the year following the end of the calendar year in which the Bonus is earned. In the event of termination of employment hereunder other than a termination under Paragraph 15B or a termination under Paragraph 15C, ABM shall pay Executive a prorated portion of the Bonus, for the fraction of the Fiscal Year that has been completed prior to the date of termination, based on the Company's actual performance for the entire Fiscal Year. The prorated portion of the Bonus shall be paid at such time as bonuses are paid to employees generally, but in no event later than March 15th of the year following the end of the calendar year in which the bonus is no longer subject to a substantial risk of forfeiture.
  - iv. Absent bad faith or material error, any conclusions of the Compensation Committee or the CEO Committee with respect to the Performance Criteria, the Performance Assessment, or the actual Bonus shall be final and binding upon Executive and ABM.
  - v. Except as may otherwise be determined by the CEO Committee in the event of extraordinary circumstances affecting the financial performance of the Company, no Bonus for any Fiscal Year of ABM shall be payable unless ABM's EPS for the Fiscal Year then ending is equal to or greater than 80% of ABM's EPS for the previous Fiscal Year of ABM. Notwithstanding the above, no determination by the Committee to pay Executive a Bonus pursuant to this Paragraph shall result in the nondeductibility of any portion of such Bonus under Section 162(m).
  - vi. Notwithstanding any other provision of this Agreement, the CEO Committee may, no later than 90 days after the beginning of any Fiscal Year (but in no event later than the date required for the Bonus to qualify as performance-based compensation within the meaning of Section 162(m)), approve and notify the Executive of a modification to the Target Bonus or the bonus range set forth in subparagraph (i) above. The CEO Committee's decision in this regard shall be deemed final and binding on Executive. In addition, the CEO Committee may grant a discretionary incentive bonus to Executive at any time in its sole discretion.
- C. FRINGE BENEFITS. Executive shall receive the then current fringe benefits generally provided by ABM to its executives. Such benefits may include but not



be limited to the use of an ABM-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable ABM policy at all times. Executive expressly agrees that should he terminate employment with ABM for the purpose of being re-employed by an ABM subsidiary or affiliate, he shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate. ABM reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to senior executives at ABM.

- D. **POST EMPLOYMENT HEALTH INSURANCE ASSISTANCE.** Subject to Paragraph 16 of this Agreement, upon Executive's termination of employment for any reason other than for Just Cause and concluding no later than 10 years after such termination, ABM shall pay Executive \$10,000 per year to assist Executive in purchasing health insurance for Executive and his spouse. In the event that Executive dies prior to the expiration of such ten-year period, ABM shall pay Executive's surviving spouse \$5,000 per year until the first to occur of (i) the death of Executive's spouse or (ii) the end of the ten-year period.
8. **PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES.** ABM shall pay directly or reimburse Executive for reasonable business expenses of ABM incurred by Executive in connection with ABM business in accordance with the ABM Travel & Entertainment Policy, in effect from time to time.
9. **BUSINESS CONDUCT.** Executive shall dedicate his full business time and attention to the performance of duties hereunder, perform his duties in good faith and to a professional standard, and fully comply with all laws and regulations pertaining to the performance of this Agreement, all ethical rules, and ABM's Code of Business Conduct, as well as any and all of policies, procedures and instructions of Company including but not limited to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002. Executive agrees that if he is approached by any person to discuss a possible acquisition or other transaction that could reasonably result in a change of control of ABM, Executive will immediately advise ABM's General Counsel and Chairman of the Board.
10. **NO CONFLICT.** Executive represents to ABM that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with ABM that have not been fully disclosed to ABM prior to the signing of this Agreement.
11. **COMPANY PROPERTY.** ABM shall, from time to time, entrust to the care, custody and control of Executive certain of the Company's property, such as motor vehicles, equipment, supplies, passwords and electronic and paper documents. Such documents

may include, but shall not be limited to, customer lists, financial statements, cost data, price lists, invoices, forms, electronic files and media, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such items, including passwords and documents, are the property of the Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.

12. **GOODWILL & PROPRIETARY INFORMATION.** In connection with Executive's employment hereunder:
- A. **PROPRIETARY INFORMATION.** Executive agrees to utilize and further the Company's goodwill among its customers, sales prospects and employees, and acknowledges that the Company may disclose to Executive and Executive may disclose to the Company Proprietary Information (as hereinafter defined).
  - B. **DUTY OF LOYALTY.** Executive agrees that the Proprietary Information and the Company's goodwill have unique value to the Company, are not generally known or readily available to the Company's competitors, and could only be developed by others after investing significant time and money. ABM makes the Proprietary Information and the Company's goodwill available to Executive in reliance on Executive's agreement to hold the Proprietary Information and the Company's goodwill in trust and confidence. Executive hereby acknowledges that to use this Proprietary Information and the Company's goodwill other than for the benefit of the Company would be a breach of such trust and confidence and a violation of Executive's duty of loyalty to the Company.
13. **RESTRICTIVE COVENANTS.** In consideration of the compensation, contract term, potential severance benefits, continued employment provided by ABM, and access to Proprietary Information, as defined below, necessary to the performance of Executive's duties hereunder, Executive hereby agrees to the following during his employment and thereafter as provided:
- A. **NON-SOLICITATION OF EMPLOYEES.** Executive acknowledges and agrees that during the course of Executive's employment with ABM, Executive will come into contact with Company employees and acquire information regarding their knowledge, skills, abilities, salaries, commissions, benefits, and other matters that are not generally known to the public. Executive further acknowledges and agrees that hiring, recruiting, soliciting, or inducing the termination of such employees will be detrimental and harmful to Company's business. Accordingly, Executive agrees that while employed by ABM and for a period of one year following the termination of Executive's employment (whether termination is voluntary or involuntary), Executive will not directly or indirectly solicit, hire, recruit or otherwise encourage or arrange for any executive or

employee to terminate employment with Company or any other Company-affiliated entity except in the proper performance of this Agreement. This prohibition against solicitation shall include but not be limited to: (i) identifying to other employers or their agents, recruiting or staffing firms, or other third parties the Company employee(s) who have specialized knowledge concerning inventions, processes, methods, or other confidential affairs or who have contacts, experience, or relationships with particular customers; (ii) disclosing or commenting to other employers or their agents, recruiting or staffing firms, or other third parties regarding the quality or quantity of work, specialized knowledge, or personal characteristics of any person still employed by Company or any other Company-affiliated entity; and (iii) providing such information to prospective employers or their agents, recruiting or staffing firms, or other third parties preceding possible employment.

- B. **NON-DISCLOSURE.** Except in the proper performance of this Agreement, Executive agrees to hold all Proprietary Information in the strictest confidence, and to refrain from making any unauthorized use or disclosure of such information both during Executive's employment and at all times thereafter. Executive shall not directly or indirectly disclose, reveal, transfer or deliver to any other person or business, any Proprietary Information which was obtained directly or indirectly by Executive from, or for, Company or by virtue of Executive's employment with Company. "Proprietary Information" means Company's trade secrets, ideas, processes and other confidential information not generally known that could have value to a third party such as plans for business development, marketing, business plans, budgets and financial statements of any kind, costs and suppliers, and information regarding the skills and compensation of other employees of the Company or employees of any company that contracts to provide services to the Company. Proprietary Information also includes information of third parties to which Executive had access by virtue of employment with the Company, including, but not limited to, information regarding customers such as: (i) the identity of Company's customers, customer contacts, and sales prospects; (ii) the nature, extent, frequency, methodology, cost, price and profit associated with services and products purchased by customers from Company; (iii) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers or customer contacts; (iv) Company and customer billing procedures; (v) Company and customer credit limits and payment practices; (vi) Company and customer organizational structure; and (vii) any information related to past, current or future acquisitions between Company or Company-affiliated entities including Company information used or relied upon for said acquisition.
- C. **NON-SOLICITATION OF CUSTOMERS.** Executive agrees that during and for one year following the termination of Executive's employment with ABM (whether such termination is voluntary or involuntary), Executive shall not, directly or indirectly, for the benefit of any person or entity other than the Company, seek, solicit, divert, take away, obtain or accept work from any

customer or prospective customer of the Company. In addition, Executive agrees that at all times after the voluntary or involuntary termination of Executive's employment, Executive shall not seek, solicit, divert, take away, obtain, or accept work from any customer or sales prospect of Company or any other Company-affiliated entity through the direct or indirect use of any Proprietary Information or by any other unfair or unlawful business practice.

- D. **POST EMPLOYMENT COMPETITION.** Executive agrees that while employed by ABM and, to the fullest extent allowed by law, for a period of one year following Executive's termination of employment (whether such termination is voluntary or involuntary), Executive shall not engage in any business activity which competes directly or indirectly with the Company or the operations of any Company-affiliated entity. The Executive acknowledges that the Company is engaged in business in various states throughout the U.S. and that the Company intends to expand the geographic scope of its activities. Accordingly and in view of the nature of Executive's position and responsibilities, the Executive agrees that the provisions of this Paragraph shall be applicable to each state and each foreign country in which the Company may be engaged in business within the twelve-month period preceding the effective date of Executive's termination of employment.
- E. **NON-DISPARAGEMENT.** During Executive's employment with ABM and thereafter, Executive agrees not to make any statement or take any action which disparages, defames, or places in a negative light Company, Company-affiliated entities, or its or their reputation, goodwill, commercial interests or past and present officers, directors and employees.
- F. **COOPERATION WITH LEGAL MATTERS IN SUPPORT OF COMPANY.** During Executive's employment with ABM and thereafter, Executive shall cooperate with Company and any Company-affiliated entity in its or their investigation, defense or prosecution of any potential, current or future legal matter in any forum, including but not limited to lawsuits, administrative charges, audits, arbitrations, and internal and external investigations. Executive's cooperation shall include, but is not limited to, reviewing and preparing documents and reports, meeting with attorneys representing Company or any Company-affiliated entity, providing truthful testimony, and communicating Executive's knowledge of relevant facts to any attorneys, experts, consultants, investigators, employees or other representatives working on behalf of Company or any Company-affiliated entity. Except as required by law, Executive agrees to treat all information regarding any such actual or potential investigation or claim as confidential. Executive also agrees not to discuss or assist in any litigation, potential litigation, claim, or potential claim with any individual (or their attorney or investigator) who is pursuing, or considering pursuing, any claims against Company or any Company-affiliated entity unless required by law. In performing the tasks outlined in this Paragraph, Executive shall be bound by the covenants of good faith and veracity set forth in ABM's Code of Business Conduct and Ethics

and by all legal obligations. Nothing herein is intended to prevent Executive from complying in good faith with any subpoena or other affirmative legal obligation. Executive agrees to notify Company immediately in the event there is a request for information or inquiry pertaining to Company, any Company-affiliated entity, or Executive's knowledge of or employment with the Company. In performing responsibilities under this Paragraph at the request or for the benefit of the Company, Executive shall be compensated for Executive's time at an hourly rate of \$400 per hour. However, during any period in which Executive is an employee of ABM or is receiving payments pursuant to Paragraph 15 of this Agreement or pursuant to the terms of any Other Severance Agreement (as hereinafter defined), Executive shall not be so compensated.

- G. **REMEDIES AND DAMAGES.** The parties agree that compliance with Paragraph 13 of the Agreement is necessary to protect the business and goodwill of Company, that the restrictions contained herein are reasonable and that any breach of this Paragraph will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of this Paragraph by Executive, Company and Executive agree that Company shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.
- H. **LIMITATIONS.** Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

**14. EXTENSION OF EMPLOYMENT.**

- A. **RENEWAL.** Absent at least 90 days written notice of termination of employment or notice of non-renewal from ABM to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year.
- B. **NOTICE OF NON-RENEWAL.** In the event that notice of non-renewal is given at least 90 days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, ABM shall have the right to terminate Executive's employment or to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation. For the avoidance of doubt, Executive will not be entitled to receive any payments under this Agreement or any policy or plan of the Company as in effect from time to time that provides for payment of

amounts on termination of employment, by reason of the Company electing not to renew this Agreement.

**15. TERMINATION OF EMPLOYMENT.**

- A. **TERMINATION UPON EXPIRATION OF TERM.** Either the Company or the Executive may elect to terminate Executive's employment upon the Company providing Executive with a notice of non-renewal pursuant to Paragraph 14B above, in which event Executive's employment shall terminate at the expiration of the then current Initial or Extended Term. Upon termination pursuant to this Paragraph, Executive shall not be entitled to any payments under the Agreement other than (i) the payment when due of any and all previously earned, but as yet unpaid, salary, and reimbursement of business expenses and fringe benefits ("Accrued Compensation"), (ii) any payments to be made pursuant to Paragraph 7D, and (iii) an amount with respect to Bonus (if any) as determined by the CEO Committee pursuant to Paragraph 7B; provided, however, that if the expiration of the term is in connection with a termination of employment for Just Cause or a voluntary termination of employment by Executive, such termination will be governed by the provisions of Paragraphs 15B and 15C, respectively. The prorated portion of the Bonus (if any) shall be paid at such time as bonuses are paid to employees generally, but in no event later than March 15th of the year following the end of the calendar year in which the bonus is no longer subject to a substantial risk of forfeiture.
- B. **TERMINATION FOR CAUSE.** ABM may terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice, subject only to a good faith determination by a majority of the Board of Just Cause. Upon such termination, Executive shall not be entitled to any payments under this Agreement other than the Accrued Compensation.
- C. **VOLUNTARY TERMINATION BY EXECUTIVE.** At any time during the Initial or then current Extended Term, as applicable, of this Agreement and with or without Just Cause, Executive may terminate employment hereunder by giving ABM 90 days' prior written notice, and Executive shall not be entitled to any payments under this Agreement other than Accrued Compensation and those payments provided under Paragraph 7D.
- D. **DISABILITY OR DEATH.** Employment hereunder shall automatically terminate upon the Total Disability or death of Executive. ABM shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, (i) the Accrued Compensation, and (ii) a prorated portion of the Bonus for the fraction of the Fiscal Year that has been completed through the end of the month in which death or Total Disability occurs, based on the Company's actual performance for the entire Fiscal Year, such prorated portion to be paid at the

time set forth in Paragraph 7B(iii). Upon such termination, Executive shall not be entitled to any other payments under this Agreement other than those provided under Paragraph 7D.

- E. **TERMINATION WITHOUT CAUSE.** ABM may terminate Executive's employment hereunder without Just Cause at any time during the Initial or then current Extended Term of this Agreement, as applicable, by giving Executive 90 days written notice. Upon such termination without Just Cause, in addition to the Accrued Compensation, Executive shall be entitled to receive two times the sum of Executive's Base Salary and Target Bonus payable, subject to Paragraph 16 of this Agreement, in equal installments in accordance with the Company's normal payroll practice over the twenty-four month period following Executive's termination of employment. Upon such termination, Executive shall not be entitled to any other payments under this Agreement other than those provided under Paragraph 7D.
- F. **OTHER OBLIGATIONS.** A termination of employment pursuant to Paragraph 15 of this Agreement will not affect any rights that Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing employee benefits, which rights will be governed by the terms thereof. To the extent that Executive receives payments or benefits by reason of his termination of employment pursuant to any other severance agreement or employee plan (collectively, "Other Severance Agreements"), the amounts otherwise receivable under Paragraph 15 will be reduced by the amounts actually paid pursuant to the Other Severance Agreements, but not below zero, to avoid duplication of payments so that the total amount payable or value of benefits receivable hereunder and under the Other Severance Agreements is not any more or less than the amounts so payable or value so receivable had such benefits been paid in full hereunder.
- G. **PAYMENTS AND BENEFITS WITH RESPECT TO A CHANGE IN CONTROL.** Notwithstanding anything to the contrary in this Agreement or otherwise, if Executive employment is terminated during the "Severance Period" (as defined in the Change-in-Control Agreement entered into between Executive and the Company on December 30, 2008, as amended from time to time), Executive shall not be entitled to payments and benefits under Paragraph 15 of this Agreement and, alternatively, Executive's entitlement to payments and benefits, if any, shall be governed by the terms of such Severance Agreement.
- H. **ACTIONS UPON TERMINATION.** Upon termination of employment hereunder, Executive shall immediately resign as an officer and/or director of Company and of any Company subsidiaries or affiliates, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph 11 of this Agreement.

16. **CONDITIONS TO PAYMENT AND ACCELERATION; CODE SECTION 409A.** Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with ABM for purposes of this Agreement and no payments shall be due to Executive under this Agreement or any policy or plan of ABM as in effect from time to time, providing for payment of amounts on termination of employment, unless Executive would be considered to have incurred a “separation from service” from ABM within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in Paragraph 15E of this Agreement that are due within the “short term deferral period” as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following Executive’s termination of employment shall instead be paid on the first business day after the date that is six months following Executive’s termination of employment (or upon Executive’s death, if earlier). In addition, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, if Executive terminates employment after October 15th of any year, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this policy prior to December 31st of the year in which the termination of employment occurs shall, subject to the previous sentence of this Paragraph, instead be paid on the first business day following January 1st of the year following Executive’s termination of employment.
17. **GOVERNING LAW.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment.
18. **REMEDIES & DAMAGES.**
- A. **INJUNCTIVE RELIEF.** The parties agree that compliance with Paragraphs 12 and 13 of this Agreement is necessary to protect the business and goodwill of the Company, and that any breach of such Paragraphs will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of Paragraphs 12 and 13 of this Agreement by Executive, ABM and Executive agree that ABM shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.
- B. **WITHHOLDING AUTHORIZATION.** To the fullest extent permitted under the laws of the State of Employment hereunder, Executive authorizes ABM to withhold from any severance payments otherwise due to Executive and from any other funds held for Executive’s benefit by ABM, any damages or losses



sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of the underlying dispute.

19. **NO WAIVER.** Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.
20. **SEVERABILITY.** The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than consider such provision void.
21. **SURVIVAL.** All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Paragraph 13 of this Agreement, shall remain in full force and effect after the termination of this Agreement.
22. **REPRESENTATIONS.** Executive represents and agrees that he has carefully read and fully understands all of the provisions of this Agreement, that he is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he chooses to do so.
23. **NOTICES.**
  - A. **ADDRESSES.** Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

**Executive:**           **Henrik C. Slipsager**  
                                  [Redacted]

**ABM:**                 **ABM Industries Incorporated**  
                                  551 Fifth Avenue  
                                  New York, New York 10176  
                                  Attention: Board of Directors

**Copy:**                **ABM Industries Incorporated**  
                                  551 Fifth Avenue

New York, New York 10176  
Attention: General Counsel

- B. **RECEIPT.** Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.
24. **ENTIRE AGREEMENT.** Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and ABM.
- A. **NO EXTERNAL EVIDENCE.** The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.
  - B. **SUPERSEDES OTHER AGREEMENTS.** It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and ABM prior to the date of this Agreement as well as all conflicting provisions of Company's Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.
  - C. **AMENDMENTS.** This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and the Chair of the Compensation Committee.

[Remainder of this page is intentionally left blank]

**IN WITNESS WHEREOF**, Executive and the Chair of the Compensation Committee of the Board have executed this Agreement as of the date set forth above.

**Executive: Henrik C. Slipsager**

Signature: /s/ Henrik C. Slipsager

Date: December 16, 2009

**ABM: ABM Industries Incorporated**

Signature: /s/ Linda Chavez

Title: Chair of the Compensation Committee of the  
Board of Directors

Date: December 16, 2009

**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.

March 4, 2010

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

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

I, James S. Lusk, certify that:

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

March 4, 2010

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

**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") for the quarter ended January 31, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henrik C. Slipsager, Chief Executive Officer of the Company, and James S. Lusk, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 4, 2010

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

March 4, 2010

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

**Director Stock Ownership Guidelines adopted March 1, 2010**

The Board believes that significant stock ownership by Board members further aligns their interests with the interests of the Company's stockholders. Accordingly, the Board has established a goal that within four years after joining the Board, each non-management Board member own Company shares valued at three times his or her annual retainer fee.

For purposes of meeting this goal, shares held by the director, shares held by family members in the same household, restricted stock units (including unvested restricted stock units) and deferred stock units are included in the value of the stock held by the director. Stock options are not included in the value of stock held by a director.

Until the goal is met, a Board member is required to retain 50% of the "net shares realized" from unrestricted shares acquired under the 2006 Equity Incentive Plan, as amended and restated from time to time, or from any exercise of options acquired under the Company's stock option plans. "Net shares realized" means unrestricted shares acquired under the 2006 Equity Incentive Plan, as amended and restated from time to time, net of any shares sold to pay taxes with respect to the acquisition of such shares, and shares resulting from the exercise of stock options granted under the Company's stock option plans, net of any shares sold to pay the exercise price or to cover taxes associated with such exercise.