

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended JULY 31, 1999

OR

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

For the transition period from _____ to _____

Commission file Number 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE

94-1369354

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

160 PACIFIC AVENUE SUITE 222, SAN FRANCISCO, CALIFORNIA 94111

(Address of principal executive offices) (Zip Code)

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

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

Number of shares of Common Stock outstanding as of
September 1, 1999: 22,341,226

ABM INDUSTRIES INCORPORATED
FORM 10-Q

FOR THE THREE MONTHS AND NINE MONTHS ENDED JULY 31, 1999

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

	OCTOBER 31, 1998	JULY 31, 1999

ASSETS:		

CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,844	\$ 2,048
Accounts receivable, net	260,549	283,718
Inventories	22,965	22,383
Deferred income taxes	10,505	14,480
Prepaid expenses and other current assets	28,445	30,565

Total current assets	324,308	353,194

INVESTMENTS AND LONG-TERM RECEIVABLES	12,405	14,031

PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land and buildings	4,802	4,517
Transportation equipment	11,633	13,545
Machinery and other equipment	51,528	60,818
Leasehold improvements	13,096	14,934

	81,059	93,814
Less accumulated depreciation and amortization	53,752	61,078

Property, plant and equipment, net	27,307	32,736

INTANGIBLE ASSETS - NET	102,776	105,818
DEFERRED INCOME TAXES	27,509	29,569
OTHER ASSETS	7,058	9,017

	\$ 501,363	\$ 544,365
=====		

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share amounts)

	OCTOBER 31, 1998	JULY 31, 1999

LIABILITIES AND STOCKHOLDERS' EQUITY:		

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 865	\$ 891
Bank overdraft	2,475	12,252
Trade accounts payable	34,992	35,462
Income taxes payable	5,527	8,402
Accrued Liabilities:		
Compensation	40,914	41,545
Taxes - other than income	15,887	16,850
Insurance claims	29,254	29,605
Other	27,910	31,304

Total current liabilities	157,824	176,311
Long-Term Debt (less current portion)	33,720	24,929
Retirement plans	15,974	18,545
Insurance claims	49,911	50,752

Total Liabilities	257,429	270,537

SERIES B 8% SENIOR REDEEMABLE CUMULATIVE		
PREFERRED STOCK	6,400	6,400

STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 500,000 shares authorized; none issued	-	-
Common stock, \$0.01 par value, 100,000,000 shares authorized; 21,601,000 and 22,265,000 shares issued and outstanding at October 31, 1998 and July 31, 1999, respectively	216	223
Additional capital	79,904	93,047
Retained earnings	157,414	174,158

Total stockholders' equity	237,534	267,428

	\$ 501,363	\$ 544,365
=====		

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amounts)

	THREE MONTHS ENDED JULY 31		NINE MONTHS ENDED JULY 31	
	1998	1999	1998	1999
REVENUES AND OTHER INCOME	\$ 381,036	\$ 412,689	\$1,108,817	\$1,202,811
EXPENSES:				
Operating Expenses and Cost of Goods Sold	328,744	356,105	961,766	1,045,844
Selling, General and Administrative	35,198	37,214	106,169	110,585
Interest	811	507	2,650	1,527
Total Expenses	364,753	393,826	1,070,585	1,157,956
INCOME BEFORE INCOME TAXES	16,283	18,863	38,232	44,855
INCOME TAXES	6,757	7,734	15,866	18,391
NET INCOME	\$ 9,526	\$ 11,129	\$ 22,366	\$ 26,464
NET INCOME PER COMMON SHARE				
Basic	\$ 0.44	\$ 0.50	\$ 1.05	\$ 1.19
Diluted	\$ 0.40	\$ 0.46	\$ 0.95	\$ 1.10
AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	21,304	22,183	20,980	21,954
Diluted	23,237	23,866	23,116	23,767
DIVIDENDS PER COMMON SHARE	\$ 0.12	\$ 0.14	\$ 0.36	\$ 0.42

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 1998 AND 1999
(In thousands)

	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$1,082,151	\$1,177,450
Other operating cash receipts	971	1,434
Interest received	484	679
Cash paid to suppliers and employees	(1,053,787)	(1,135,197)
Interest paid	(2,559)	(1,695)
Income taxes paid	(16,022)	(21,551)
Net cash provided by operating activities	11,238	21,120
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(8,235)	(14,184)
Proceeds from sale of assets	395	776
Decrease (increase) in investments and long-term receivable	10	(1,626)
Intangible assets acquired	(7,050)	(8,860)
Net cash used in investing activities	(14,880)	(23,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Common stock issued	10,314	11,686
Dividends paid	(7,988)	(9,720)
Increase in cash overdraft	1,895	9,777
Increase in notes payable	145	25
Long-term borrowings	80,172	39,037
Repayments of long-term borrowings	(80,864)	(47,827)
Net cash provided by financing activities	3,674	2,978
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32	204
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD	1,783	1,844
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 1,815	\$ 2,048

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED JULY 31, 1998 AND 1999
 (In thousands)

	1998	1999
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$ 22,366	\$ 26,464
Adjustments:		
Depreciation and amortization	14,395	15,321
Provision for bad debts	2,177	1,772
Gain on sale of assets	(155)	(60)
Deferred income taxes	(1,279)	(6,035)
Increase in accounts receivable	(23,436)	(24,941)
Decrease (increase) in inventories	(1,123)	582
Increase in prepaid expenses and other current assets	(3,615)	(2,120)
Decrease (increase) in other assets	524	(1,959)
Increase in income taxes payable	1,123	2,875
Increase in retirement plans accrual	2,124	2,571
Increase (decrease) in insurance claims liability	(436)	1,192
Increase(decrease)in accounts payable and other accrued liabilities	(1,427)	5,458
Total adjustments to net income	(11,128)	(5,344)
Net Cash Provided by Operating Activities	\$ 11,238	\$ 21,120

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

ABM INDUSTRIES INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all material adjustments which are necessary to present fairly the Company's financial position as of July 31, 1999, and the results of operations and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Form 10-K filed for the fiscal year ended October 31, 1998 with the Securities and Exchange Commission.

2. NET INCOME PER COMMON SHARE

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

	Nine months Ended July 31, 1998 -----	Nine months Ended July 31, 1999 -----
Net Income	\$ 22,366,000	\$ 26,464,000
Preferred Stock Dividends	(384,000)	(384,000)
	-----	-----
	\$ 21,982,000	\$ 26,080,000
	=====	=====
Common shares outstanding - basic	20,980,000	21,954,000
Effect of dilutive securities:		
Stock options	1,937,000	1,718,000
Other	199,000	95,000
	-----	-----
Common shares outstanding - diluted	23,116,000	23,767,000
	=====	=====

	Three months Ended July 31, 1998	Three months Ended July 31, 1999
	-----	-----
Net Income	\$ 9,526,000	\$ 11,129,000
Preferred Stock Dividends	(128,000)	(128,000)
	-----	-----
	\$ 9,398,000	\$ 11,001,000
	=====	=====
Common shares outstanding - basic	21,304,000	22,183,000
Effect of dilutive securities:		
Stock options	1,734,000	1,546,000
Other	199,000	137,000
	-----	-----
Common shares outstanding - diluted	23,237,000	23,866,000
	=====	=====

For purposes of computing diluted net income per common share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period. On July 31, 1999, options to purchase approximately 1,100,000 shares of common stock at a weighted average exercise price of \$31.80 were outstanding, but were excluded from the computation because the options' exercise price was greater than the average market price of the common shares. At July 31, 1998, 671,750 shares of common stock at a weighted average exercise price of \$29.80 were outstanding, but were excluded from the computation because the options' exercise price was greater than the average market price of the common shares.

3. ACQUISITIONS

During the nine months ended July 31, 1999 the Company completed five business combinations that were accounted for under the purchase method of accounting. The consolidated financial statements include the results of these acquired entities from their respective dates of acquisition. The aggregate consideration paid for these acquisitions consisted of \$6,469,000 cash. The aggregate purchase price does not include payments of contingent consideration based upon the results of operations of the businesses acquired.

The total purchase price was allocated to the fair value of the net assets acquired resulting in goodwill of approximately \$4,163,000, which is being amortized over ten years.

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

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures, acquisitions and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. The Company has an unsecured revolving credit agreement with a syndicate of U.S. banks, expiring July 1, 2002. Effective November 1, 1997, the agreement was amended to increase the amount available to \$150 million. At the Company's option, the credit facility provides interest at the prime rate or IBOR+.35%. As of July 31, 1999, the total amount outstanding was approximately \$86 million, which was comprised of loans in the amount of \$22 million and standby letters of credit of \$64 million. This agreement requires the Company to meet certain financial ratios, places some limitations on outside borrowing and prohibits declaring or paying cash dividends exceeding 50% of the Company's net income for any fiscal year. In February 1996, the Company entered into a loan agreement with a major U.S. bank that provides a seven-year term loan of \$5 million. This loan bears interest at a fixed rate of 6.78% with annual payments of principal, in varying amounts, and interest due each February 15 through 2003. The Company's effective interest rate for all long-term debt borrowings for the nine months ended July 31, 1999 was 6.58%.

At July 31, 1999, working capital was \$176.9 million, as compared to \$166.5 million at October 31, 1998.

ENVIRONMENTAL MATTERS

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

The Company is currently involved in four proceedings relating to environmental matters: one involving alleged potential soil and groundwater

contamination at a Company facility in Florida; one involving alleged potential soil contamination at a former Company facility in Arizona; one involving alleged potential soil and groundwater contamination of a parking garage previously operated by the Company in Washington; and, one involving alleged potential soil and groundwater contamination at a former dry-cleaning facility leased by the Company in Nevada. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse effect on the Company's financial position or its results of operations.

YEAR 2000 ISSUE

The Year 2000 issue is the result of computer programs being written and embedded chips being designed that use two digits rather than four digits to define the applicable year. As a result, there is a potential that existing computer programs and hardware will be unable to accurately process dates beyond the year 1999. This could result in system errors or failures that could impact both administration and operations. In mid-1997, the Company established a dedicated Project Team that has initiated a Company-wide effort to mitigate the Year 2000 issue. The Project Team has developed a detailed plan for becoming Year 2000 compliant that consists of the following eight phases: awareness, inventory, risk assessment, remediation, testing, implementation, certification, and contingency planning. The Year 2000 issue encompasses both information technology ("IT") related systems, such as the Company's accounting software, and non-IT related systems such as the impact to the Company due to the non-compliance of major vendors or customers.

The Company continues to inform all levels of management within the Company of Year 2000 issues by producing and distributing quarterly newsletters. In turn, the Company's management is able to effectively communicate with third parties with regard to Year 2000 issues. Additionally, the Project Team maintains a discussion database that is available to managers within the Company for their review and input. This database is updated weekly; managers are notified of the updates via e-mail.

The Project Team has completed a Company-wide inventory of all office equipment, software, hardware, and any product, equipment, service or system that could be impacted by the Year 2000 issue. This inventory has provided a basis for identifying and prioritizing risk associated with the equipment, hardware, software, and services that the Company utilizes. The inventory and risk assessment process was completed in April 1999. Non-PC

related hardware has been remediated and is considered Year 2000 compliant. A company-wide replacement of PC and related hardware is currently in progress and will be completed in November 1999. The Project Team has attempted to assess all relevant issues and has developed a process to assess all new products and services introduced subsequent to the initial inventory and assessment.

Six Divisions use the Company's proprietary accounting software, which is internally maintained. Year 2000 compliant versions of this software have been implemented for these divisions as of August 1999. The Elevator, Lighting, Supply, and Mechanical Divisions use software purchased from outside vendors. The financial software used by the Elevator Division has been made Year 2000 compliant. The Supply Division's inventory control system and the Lighting Division's financial applications were made Year 2000 compliant in August 1999. The Mechanical Division replaced its accounting and dispatching software with a Year 2000 compliant system in July 1999.

The Project Team has identified vendors that represent 80 percent of the Company's total purchases, and in October 1998, began surveying these vendors to identify their plans to address the Year 2000 issue. This process was completed in March 1999. Based upon the results of these surveys, alternate suppliers have been identified for all vendors who were found either to be non-compliant, pending compliance, or who did not respond. Surveys were sent to all lessors to ensure that facilities, where the Company's employees work, will not be impacted by Year 2000 issues.

The Company has established contingency plans for all its field office locations, which includes business continuity plans customized for each division, employee safety and a disaster recovery plan for the Company's data. As part of this plan, the Company produced process manuals that document the necessary procedures in the event of a Year 2000 related failure. These manuals will be distributed to all offices of the Company for its coordinated preparation for Year 2000 in October 1999. The anticipated date of final roll-out of the contingency plans to all offices is November 1999.

The Company believes that appropriate steps are being taken to minimize potential risk to its customers; however, there is a concern that customer-owned equipment may not be Year 2000 compliant, which could adversely impact the Company's operational performance. Additionally, there may be a possible misconception among some customers that the Company is responsible for all Year 2000 issues. The Company sent an informational letter to all major customers informing them of potential issues that could arise from the Year 2000 issue. There can be no assurance that the systems of other

companies on which the Company relies will be Year 2000 compliant, or that the failure of such systems to be Year 2000 compliant will not have a material adverse effect on the Company's business, financial condition and results of operations.

Based upon assumptions and forecasts of management at this time, the Company estimates the cost, including internal costs, of becoming Year 2000 compliant to be approximately \$3.0 million, funded by operating cash flows. The Company believes it is making the necessary modifications and changes to mitigate the Year 2000 issue. However, there can be no assurance that all the Company's systems will be Year 2000 compliant, that the costs to be Year 2000 compliant will not exceed management's current expectations, or that the failure of such systems to be Year 2000 compliant will not have a material adverse effect on the Company's business, financial condition and results of operations.

ACQUISITIONS

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

Effective February 1, 1999, the Company acquired the operations and selected assets of VIP Valet Parking, with customers located in Austin and Houston, Texas. The terms for the purchase of this acquisition were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

Effective April 1, 1999, the Company acquired the operations and selected assets of Commercial Landscaping Services, with operations located in the Carolinas and Tennessee. The terms for the purchase of this acquisition were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

Effective April 1, 1999, the Company acquired the operations and selected assets of Integra Services Corporation, with customers located in Des Moines, Iowa. The terms for the purchase of this acquisition were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

Effective May 1, 1999, the Company acquired the operations and stock of Masterclean Systems, Inc., with customers located in Louisville, Kentucky, and Master-Klean, Inc. with customers in Indianapolis, Indiana. The terms for the purchase of these acquisitions were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

Effective July 1, 1999, the Company acquired the operations and selected assets of Suburban Lighting Company, with customers located in Minnesota and other parts of the upper Midwest. The terms for the purchase of this acquisition were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

These five business combinations were accounted for under the purchase method of accounting. The aggregate consideration paid for these acquisitions consisted of \$6,469,000. The aggregate purchase price does not include payments of contingent consideration based upon the results of operations of the businesses acquired.

Effective August 1, 1999, the Company acquired the operations and selected assets of FaciliTech, with customers located in the Minneapolis/St. Paul metropolitan area of Minnesota. The terms for the purchase of this acquisition were a cash downpayment made at closing plus annual contingent payments based on operating profits to be made over five years.

INTERNAL INVESTIGATION

The Audit Committee of the Board of Directors, comprised of three outside directors, has been investigating allegations of questionable payments and related accounting practices in connection with several janitorial service contracts awarded to one of its building maintenance subsidiaries. These contracts total less than 5% of the Company's consolidated revenues. Having now concluded this investigation, the Company does not believe that there have been any material misstatements in its financial statements for past periods, or that the matter investigated will have any material impact on its financial condition or results of operations. However, in an abundance of caution, the Company's Board of Directors will refer this matter to appropriate government agencies, with which the Company will fully cooperate.

RESULTS OF OPERATIONS

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

THREE MONTHS ENDED JULY 31, 1999 VS. THREE MONTHS ENDED JULY 31, 1998

Revenues and other income (hereafter called revenues) for the third quarter of 1999 were \$412.7 million compared to \$381.0 million in 1998, an 8.3% increase over the same quarter of the prior year. Much of this growth was attributable to new business and price increases, particularly by the Janitorial and Engineering Divisions, as well as acquisitions made during 1998. For the quarter ended July 31, 1999, the increase in revenues relating to acquisitions made during 1998 was \$3.7 million, 11.7% of the total revenue increase of \$31.7 million.

As a percentage of revenues, operating expenses and cost of goods sold were 86.3% for the third quarter of both 1999 and 1998. Consequently, as a percentage of revenues, the Company's gross profit (revenue minus operating expenses and cost of goods sold) also remained the same at 13.7% for the third quarter of 1999 and 1998. Slight increases in labor and related costs were offset by a number of other expenses.

Selling, general and administrative expenses for the third quarter of

1999 were \$37.2 million compared to \$35.2 million for the corresponding three months of 1998. As a percentage of revenues, selling, general and administrative expenses decreased to 9.0% for the three months ended July 31, 1999, from 9.2% for the same period in 1998, primarily as a result of certain fixed and variable costs that do not increase at the same rate as revenues, and a reduction in legal costs. The \$2.0 million increase in selling, general and administrative expenses for the three months ended July 31, 1999, compared to the same period in 1998, is primarily due to expenses related to growth, including the amortization of goodwill, and data processing expenses associated with the installation of a new enterprise resource plan.

Interest expense was \$0.5 million for the third quarter of 1999 compared to \$0.8 million for the same period in 1998, a decrease of \$0.3 million. This decrease was due to lower weighted average borrowings during the third quarter of 1999.

The pre-tax income for the third quarter of 1999 was \$18.9 million compared to \$16.3 million, an increase of 15.8% over the same quarter of 1998. The growth in pretax earnings outpaced the 8.3% increase in revenue, as a result of the lower increase in selling, general and administrative expenses. Five of the Company's nine Divisions reported profit percentage increases and are discussed in more detail below.

The estimated effective income tax rate for the third quarter of 1999 was 41.0%, compared to 41.5% in the third quarter of 1998. The lower tax rate was, for the most part, attributable to an increase in various federal and state estimated tax credits.

Net income for the third quarter of 1999 was \$11.1 million, an increase of 16.8% compared to the net income of \$9.5 million for the third quarter of 1998. Diluted net income per common share rose 15.0% to 46 cents for the third quarter of 1999 compared to 40 cents for the same period in 1998. The increase in diluted net income per share was slightly disproportional to the increase in net income due to a 2.7% increase in diluted shares outstanding.

The results of operations from the Company's three industry segments and its nine operating divisions for the three months ended July 31, 1999, as compared to the three months ended July 31, 1998, are more fully described below:

The Janitorial Divisions segment, which includes American Building Maintenance (also known as ABM Janitorial Services) and Easterday Janitorial Supply, reported revenues for the third quarter of 1999 of \$242.1 million, an increase of \$16.2 million, or 7.2%, over the third quarter of 1998. This segment's operating profits (revenues minus

expenses, excluding interest and corporate allocations) increased by 14.9% over the comparable quarter of 1998. This is the Company's largest segment and accounted for 59% of the Company's total revenues for the current quarter. American Building Maintenance revenues increased by 7.1% during the third quarter of 1999 as compared to the same quarter of 1998 as a result of increased business nationwide but particularly in the Mid-Atlantic, Southeast, Southwest and Texas regions. This Division's operating profits increased 16.9% when compared to the same period last year. Operating profits increased at a higher rate than revenues due primarily to a slight reduction in labor and related costs partly as a reduction of accruals in excess of amounts required. In addition, there was a small decline in selling and administrative expenses as a percent of sales. Easterday Janitorial Supply's third quarter revenues for 1999 increased by 10.9% compared to the same quarter in 1998. The increase was generally due to increased business in its Houston, Texas and Sacramento, California branches, offset by continued weak sales in its Portland, Oregon and San Francisco, California markets. Operating profits decreased 28.1% in the third quarter of 1999, compared to the same quarter of 1998 due primarily to higher costs of inventory sold reflecting lower margins necessary for competitive pricing.

Revenues of the Public Service Divisions segment, which includes American Commercial Security Services (also known as "ACSS" and "ABM Security Services"), Ampco System Parking (also known as "Ampco System Airport Parking" and "Ampco Express Airport Parking"), and ABM Facility Services, for the third quarter of 1999 were \$69.3 million, a 9.9% increase over the same quarter of 1998. Public Service Divisions accounted for 17% of the Company's revenues for the third quarter of 1999. The operating profits of this segment decreased 11.4% in the third quarter of 1999, due to the lower margins of the Security Division. American Commercial Security Services reported an 8.1% increase in revenues, but its operating profits were down by 30.7% in the third quarter of 1999 compared to the same period of 1998. The revenue increase was largely due to new business in Houston, Phoenix, New Orleans and Southern California. The decrease in operating profits was primarily due to higher labor and related costs as a result of a shortage of qualified employees available to work at competitive pay rates and having to bid new jobs at lower margins as a result of increased competition. Ampco System Parking's revenues increased by 10.5%, while its operating profits increased 1.9% during the third quarter of 1999 compared to the third quarter of 1998. The increase in revenues was primarily due to continued growth in its California and Texas operations. The operating profits increase was due to slightly higher margins on its management contracts, offset by proportionally higher selling, general and administrative expenses. ABM Facility Services was established in November of 1997 as a result of customer requests to provide services from two or more of its Divisions (the ABM Family of Services) under one management. Because this Division is relatively new and depends primarily on management fees for its income, start up costs exceeded revenues during the current

quarter. Management does not expect this Division to be profitable during the current year. Revenues generated by this Division are generally reported by the respective Divisions providing services and contribute to the operating profits of those Divisions.

The Company's Technical Divisions segment includes ABM Engineering Services, Amtech Elevator Services, Amtech Lighting Services and CommAir Mechanical Services. This segment reported revenues of \$101.1 million, which represents 24% of the Company's revenues for the third quarter of 1999. Revenues increased 10.0% over the same quarter of last year due to increases in revenues reported by all its Divisions. Operating profits of this segment increased 4.4% compared to the third quarter of 1998 due to increases in operating profits in its Amtech Lighting and Amtech Elevator Divisions. ABM Engineering Services' revenues increased by 8.1% but its operating profits decreased 1.7% for the third quarter of 1999 compared to the same period in 1998. The revenue increase was due primarily to new business in all its operations, with particularly strong sales growth in its newer offices in Chicago and Arizona, as well as Southern California. The small decrease in operating profits was due to low margins on contracts in its New York and Philadelphia operations and slightly higher selling, general and administrative expenses. Revenues for Amtech Elevator Services increased by 12.5% compared to the same period in 1998 primarily due to an increase in maintenance contract and modernization sales, particularly in the Northern California operation. As a result, the Division posted a 6.9% increase in operating profit for the third quarter compared to the corresponding quarter of 1998. Profits were disproportional to the sales increase due to a slight increase in selling, general and administrative expenses. Amtech Lighting Services reported an 11.9% revenue increase, and operating profits increased by 16.4% during the third quarter of 1999 compared to the same quarter of the prior year. The increase in operating profits was primarily due to slightly lower labor costs. CommAir Mechanical Services' (also known as "CommAir Preferred Mechanical Services") revenues increased by 7.3%, resulting primarily from increased business throughout most of its branches in California. Operating profits for the third quarter of 1999 decreased by 7.8% compared to the same quarter of the prior year as a result of losses related to a construction project in Southern California.

NINE MONTHS ENDED JULY 31, 1999 VS. NINE MONTHS ENDED JULY 31, 1998

Revenues and other income for the first nine months of 1999 were \$1,202.8 million compared to \$1,108.8 million in 1998, an 8.5% increase over the same period of the prior year. Much of this growth was attributable to new business and price increases, as well as acquisitions made during 1998. For the nine months ended July 31, 1999, the increase in revenues relating to acquisitions made during 1998 was \$10.6 million or 11.3% of the total revenue increase of \$94.0 million. As a percentage of

revenues, operating expenses and cost of goods sold were 86.9% for the first nine months of 1999, compared to 86.7% in 1998. Consequently, as a percentage of revenues, the Company's gross profit of 13.1% in the first nine months of 1999 was lower than the gross profit of 13.3% for the first nine months of 1998. The gross profit percentage declined mostly due to higher labor and related costs. The Company anticipates these costs to be gradually recovered through price increases.

Selling, general and administrative expenses for the first nine months of 1999 were \$110.6 million compared to \$106.2 million for the corresponding nine months of 1998. As a percentage of revenues, selling, general and administrative expenses decreased, from 9.6% for the nine months ended July 31, 1998, to 9.2% for the same period in 1999, primarily as a result of certain fixed and variable costs that do not increase at the same rate as sales, and a reduction of legal costs. The increase in the dollar amount, of selling, general and administrative expenses, \$4.4 million, for the nine months ended July 31, 1999, compared to the same period in 1998, is primarily due to expenses related to growth and to a somewhat lesser extent expenses associated with the installation of a new enterprise resource plan.

Interest expense was \$1.5 million for the first nine months of 1999 compared to \$2.6 million for the same period in 1998, a decrease of \$1.1 million. This decrease was primarily due to lower weighted average borrowings during the first nine months of 1999.

The pre-tax income for the first nine months of 1999 was \$44.9 million compared to \$38.2 million, an increase of 17.3% over the same period in 1998. The growth in pre-tax income outpaced revenue growth for the first three quarters of 1999 as a result of lower interest costs and a lower increase in selling, general and administrative expenses.

The estimated effective income tax rate for the first nine months of 1999 was 41%, compared to 41.5% in the first nine months of 1998. The lower tax rate was due, for the most part, to an increase in various federal and state tax credits.

As a result, net income for the first nine months of 1999 was \$26.5 million an increase of 18.3%, compared to the net income of \$22.4 million for the same period of 1998. Diluted net income per common share rose 15.8% to \$1.10 for the first nine months of 1999 compared to \$0.95 for the same period in 1998. The increase in diluted net income per share was not proportional to the increase in net income due to a 2.8% increase in the average number of common and common equivalent shares outstanding.

The results of operations from the Company's three industry segments and its nine operating Divisions for the nine months ended July 31, 1999,

as compared to the nine months ended July 31, 1998, are more fully described below:

The Janitorial Divisions segment, which includes the operating Divisions of American Building Maintenance (also known as ABM Janitorial Services) and Easterday Janitorial Supply, reported revenues for the first nine months of 1999 of \$711.5 million, an increase of \$55.0 million, or 8.4% over the same period of 1998. This segment's operating profits increased by 12.2% over the comparable period of 1998. This is the Company's largest segment and accounted for 59% of the Company's total revenues for the current nine months. American Building Maintenance's revenues increased by 8.6% during the first nine months of 1999, as compared to the same period of 1998, as a result of increased business nationwide, but particularly in the Mid-Atlantic, Southeast, Southwest and Texas regions. This Division's operating profits increased 13.2% when compared to the same period last year. Operating profits increased at a higher rate than revenues due to lower labor and related costs, and slightly lower selling, general and administrative expenses. Easterday Janitorial Supply's revenue for the first nine months of 1999 increased by 1.3% compared to the same period in 1998. This small increase is generally due to weak sales in the Portland, Oregon and San Francisco, California markets. Operating profits decreased by 12.7% compared to the comparable period of 1998, as a result of increases in the cost of inventory sold and additional labor costs, which were not passed on to customers through price increases.

Revenues of the Public Service Divisions segment, which includes American Commercial Security Services (also known as "ACSS" and "ABM Security Services"), Ampco System Parking, and ABM Facility Services, for the first nine months of 1999 were \$201.5 million, a 6.3% increase over the same period of 1998. Public Service Divisions accounted for 17% of the Company's revenues. The operating profits of this segment decreased 1.8% in the first nine months of 1999 due to American Commercial Security Services and ABM Facility Services. American Commercial Security Services reported an increase in revenues of 6.7%, but its operating profits were down by 23.7% in the first nine months of 1999 compared to the same period of 1998. The revenue increase was largely due to new business in Houston, Phoenix, New Orleans, and Southern California. The decrease in operating profit was primarily due to higher labor and related costs as a result of a shortage of qualified employees available to work at competitive pay rates and having to bid new jobs at lower margins as a result of increased competition. Ampco System Parking Division's revenues increased by 4.8%, while its profits increased 10.5% during the first nine months of 1999 compared to the first nine months of 1998. The increase in revenues was mostly due to new business in its California regions. The proportionally higher operating profit increase was due to increased sales of higher

margin management contracts. ABM Facility Services was established in November of 1997 as a result of customer requests to provide services from two or more of its Divisions (the ABM Family of Services) under one management. Because this Division is relatively new and depends primarily on management fees for its income, start up costs exceeded revenues during the current quarter. Management does not expect this Division to be profitable during the current year. Revenues generated by this Division are generally reported by the respective Divisions providing services and contribute to the operating profits of those Divisions.

The Company's Technical Divisions segment includes ABM Engineering Services (also known as Amtech Engineering Services), Amtech Elevator Services, Amtech Lighting Services and CommAir Mechanical Services. This segment reported revenues of \$289.1 million, which represents 24% of the Company's revenues for the first nine months of 1999. This represents an increase of 10.3% over the same period of last year due to increases in revenues reported by all its Divisions. Operating profit of this segment increased 4.3% compared to the first nine months of 1998 due to increases in operating profits of its CommAir Mechanical, Elevator and Engineering Divisions, offset by decreases in its Lighting Division. ABM Engineering Services' revenues increased by 14.6% and its operating profits increased 5.5% for the first nine months of 1999 compared to the same period in 1998. The revenue increase was due primarily to new business in all its operations, with particularly strong sales growth in its newer offices in Chicago and Arizona, as well as Southern California. The increase in operating profits is due to increased business offset by declining margins in its New York and Philadelphia operations. Revenues for Amtech Elevator Services were up by 5.5% for the first nine months of 1999 over the same period of 1998. The Division posted a 1.3% increase in operating profit for the first nine months of 1999 compared to the corresponding period of 1998. This increase in profits can be attributed to higher sales at lower margins. Amtech Lighting Services reported a 9.2% revenue increase due to increased business, primarily in Atlanta, Chicago, New Orleans, New York and Oakland. Operating profits decreased by 1.8% during the first nine months of 1999 compared to the same period of the prior year primarily due to lower margins resulting from higher labor and material costs. CommAir Mechanical Services' revenues increased by 8.7%, resulting from increased business throughout most of its branches in California. California. Operating profits for the first nine months of 1999 increased by 33.4% compared to the prior year period as a result of increased sales and keeping the selling, general and administrative expenses relatively flat compared to the prior nine months.

SAFE HARBOR STATEMENT

Cautionary Safe Harbor Disclosure for Forward Looking Statements under the Private Securities Litigation Reform Act of 1995: Because of the factors set forth below, as well as other variables affecting the Company's operating results, past financial performance should not be considered a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods. The statements contained herein which are not historical facts are forward-looking statements that are subject to meaningful risks and uncertainties, including but not limited to: (1) significant decreases in commercial real estate occupancy, resulting in reduced demand and prices for building maintenance and other facility services, in the Company's major markets, (2) loss or bankruptcy of one or more of the Company's major customers, which could adversely affect the Company's ability to collect its accounts receivable or recover its deferred costs, (3) major collective bargaining issues that may cause loss of revenues or cost increases that nonunion companies can use to their advantage in gaining market share, (4) failure of the Company's electronic data processing, telecommunications and related systems, or those of its major customers or vendors, to be Year 2000 compliant, (5) significant shortfalls in adding additional customers in existing and new territories and markets, (6) a protracted slowdown in the Company's acquisition program, (7) legislation or other governmental action that severely impacts one or more of the Company's lines of business, such as price controls that could restrict price increases, or the unrecovered cost of any universal employer-paid health insurance, as well as government investigations that adversely affect the Company, (8) reduction or revocation of the Company's lines of credit, which would increase interest expense or the cost of capital, (9) cancellation or nonrenewal of the Company's primary insurance policies, as many customers contract out services based on the contractor's ability to provide adequate insurance coverage and limits, (10) catastrophic uninsured or underinsured claims against the Company, or the inability of the Company's insurance carriers to pay otherwise insured claims, (11) resignation, termination, death or disability of one or more of the Company's key executives, which could adversely affect customer retention and day-to-day management of the Company, (12) inability to employ entry level personnel due to labor shortages, and (13) other material factors that are disclosed from time to time in the Company's public filings with the United States Securities and Exchange Commission, such as reports on Forms 8-K, 10-K and 10-Q.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

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

outstanding debt and the related interest expense is currently not material.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 3.2 By-laws, amended and restated as of June 15, 1999

Exhibit 3.2.1 - Resolution Amending the By-laws effective February 12, 1999

Exhibit 27.1 - Financial Data Schedule

(b) Reports on form 8-K: No reports on form 8-K were filed during the quarter ended July 31, 1999.

SIGNATURES

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

ABM Industries Incorporated

September 13, 1999
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/s/ David H. Hebble

David H. Hebble
Vice President, Principal
Financial Officer

SIGNATURES

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

ABM Industries Incorporated

September 13, 1999

David H. Hebble
Vice President, Principal
Financial Officer

EXHIBIT INDEX

Exhibit 3.2	By-laws, amended and restated as of June 15, 1999
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Exhibit 27.1	Financial Data Schedule

ABM INDUSTRIES INCORPORATED

BY-LAWS

As Restated Effective June 15, 1999

ARTICLE I

Offices

Section 1.1. Registered Office. The registered office shall be located in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.1. Place of Meeting. All meetings of stockholders shall be held at the principal executive office of the Corporation or at any other place, either within or without the State of Delaware, as may be designated by the Board of Directors.

Section 2.2. Annual Meeting. The annual meeting of stockholders shall be held on such date and at such time as the Board of Directors may designate.

At each annual meeting the stockholders shall elect directors to succeed those whose terms expire in that year and to serve until their successors are elected, and shall transact such other business as may properly be brought before the meeting.

Section 2.3. Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Such notice shall be given either personally or by mail or other means of written communication, addressed or delivered to each stockholder entitled to vote at such meeting at the address of such stockholder appearing on the books of the Corporation or given by him to the Corporation for the purpose of such notice. If no such address appears or is given, notice shall be given either personally or by mail or other means of written communication addressed to the stockholder at the place where the principal executive office of the Corporation is located. The notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

Section 2.4. Business at Annual Meetings. At an annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by

any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who shall have complied with the notice procedures set forth in this Bylaw.

For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.4(a) of this Bylaw, notice in writing must be delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such meeting's anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the annual meeting is first made. Such stockholder's notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business to be brought before the annual meeting and the reasons for conducting such business at such meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder, and by the beneficial owner, if any, on whose behalf the proposal is made; and (iv) any material interest of the stockholder, and of the beneficial owner, if any, on whose behalf the proposal is made, in such business. For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Bylaw. The chairman of the meeting may, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with the provisions of this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 2.5. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and

showing the address of the stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.6. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called at any time by the Board of Directors, or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose power and authority, as provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

Section 2.7. Notice of Special Meetings. Written notice of a special meeting of stockholders stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 2.8. Business at Special Meetings. The business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.9. Adjourned Meetings and Notice Thereof. Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares represented either in person or by proxy, but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 2.10 of these by-laws.

When a stockholders' meeting is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken; except that if the adjournment is for more than thirty days or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat.

At the adjourned meeting, the Corporation may transact any business, which might have been transacted at the original meeting.

Section 2.10. Quorum. The holders of a majority of the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation.

Section 2.11. Majority Vote. If a quorum is present at any meeting, the vote of the holders of a majority of the shares having voting power, present in person or represented by proxy, shall decide any question brought before such meeting, unless a different vote is required on that question by express provision of statute or of the certificate of incorporation, in which case such express provision shall govern and control.

The stockholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a

quorum, in any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum, unless a different vote is required as set forth above.

Section 2.12. Voting. Except as otherwise provided in the certificate of incorporation and subject to Section 8.4 of these by-laws, each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock having voting power held by such stockholder, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Vote may be viva voce or by ballot; provided, however, that elections for directors must be by ballot.

Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office but, if the stockholder fails to specify the number of shares such stockholder is voting affirmatively, it shall be conclusively presumed that the stockholder's approving vote is with respect to all shares said stockholder is entitled to vote.

Section 2.13. Stockholder Action. Any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders.

Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when a person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened; provided, that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law or these by-laws to be included in the notice but not so included if such objection is expressly made at the meeting.

Section 2.14. Presiding Officer. The chairman of the Board of Directors, if there be such officer, shall, if present, call the meetings of the stockholders to order and shall act as the presiding officer thereof.

Section 2.15. Secretary. The secretary of the Corporation, if present, shall act as secretary of all meetings of the stockholders. In the absence of the secretary, an assistant secretary if present shall act as secretary of the meetings of the stockholders. In the absence of the secretary or any assistant secretary, the presiding officer may appoint a person to act as secretary of such meeting.

ARTICLE III

DIRECTORS

Section 3.1. Number of Directors, Election and Term of Office. The number of directors, which shall constitute the whole board, shall be eleven. The Board of Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, one class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1986, another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1987, and another class to hold office initially for a term expiring at the annual meeting of stockholders to be held in 1988, with the members of each class to hold office until their successors are elected and qualified. At each annual meeting of stockholders, the successors of the class of

directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

The term "entire board" as used in these by-laws means the total number of directors, which the Corporation would have, if there were no vacancies.

Section 3.2. Vacancies. A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation, or removal of any director, or if the authorized number of directors be increased, or if the stockholders fail at any annual or special meeting of stockholders to elect the full authorized number of directors to be voted for at that meeting.

Unless otherwise provided in the certificate of incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director, and any director so chosen shall hold office until the next election of the class for which he was chosen and until his successor is fully elected and qualified, unless sooner displaced. If at any time the Corporation should have no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the entire board (as constituted immediately prior to any such increase), the Court of the Chancery may upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships or to replace the directors chosen by the directors then in office.

Section 3.3. Powers. The business and affairs of the Corporation shall be managed by its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 3.4. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 3.5. Resignation. Any director may resign effective upon giving written notice to the chief executive officer, the secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 3.6. Nominations of Directors. Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders (i) by the Board of Directors or a committee appointed by the Board of Directors authorized to make such nominations or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote for the

election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw. Nominations by stockholders shall be made pursuant to notice in writing, delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders, provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the meeting is first made; or (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made. Such stockholder's notice shall set forth (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated by the Board of Directors; and (v) the written consent of such nominee to serve as a director of the Corporation if elected. At the request of the Board of Directors, or any committee appointed by the Board of Directors authorized to make such nominations, any person nominated by the Board of Directors, or such committee, for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination that pertains to the nominee. Notwithstanding anything in this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public statement naming all the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these Bylaws. The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed in this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw.

ARTICLE IV

MEETINGS OF THE BOARD OF DIRECTORS

Section 4.1. Place of Meeting. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 4.2. Organization Meeting. Immediately after each annual meeting of stockholders, the Board of Directors shall hold a regular meeting for the purpose of organization, electing officers and transacting other business. No notice of such meeting need be given. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 4.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and at such place as shall from time to time be determined by the Board of Directors; provided, however, that if the date so designated falls upon a legal holiday, then the meeting shall be held at the same time and place on the next succeeding day which is not a legal holiday. Such regular meetings may be held without notice.

Section 4.4. Special Meetings. Special meetings of the Board of Directors may be called by the chairman of the board of directors, chairman of the executive committee of the Board of Directors, the chief executive officer or the president or on the written request of the directors constituting a majority of the entire board.

Section 4.5. Notice of Special Meetings. Notice of the time and place of special meetings of the Board of Director shall be delivered personally to each director, or sent to each director by mail, telephone, or telegraph. In case such notice is sent by mail or telegraphed it shall be deposited in the United States mail or delivered to the telegraph company in the place in which the principal office of the Corporation is located at least 48 hours prior to the time of the holding of the meeting. In case such notice is delivered personally or by telephone, it shall be so delivered at least 24 hours prior to the time of the holding of the meeting. Such notice shall not be necessary if appropriate waivers, consents and/or approvals are filed in accordance with Section 4.6 of these by-laws.

Section 4.6. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though

had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 4.7. Quorum. At all meetings of the board, the presence of one-third of the entire board shall constitute a quorum for the transaction of business, and the act of a majority of the directors present at any meetings at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 4.8. Adjournment. Any meeting of the Board of Directors, whether or not a quorum is present, may be adjourned to another time and place by the vote of a majority of the directors present. Notice of the time and place of the adjourned meeting need not be given to absent directors if said time and place are fixed at the meeting adjourned.

Section 4.9. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 4.10. Conference Communication. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the Board of Directors or any committee designated by the board may participate in a meeting of the Board of Directors or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear one another. Participation in a meeting pursuant to this action shall constitute presence in person at such meeting.

ARTICLE V

COMMITTEES OF DIRECTORS

Section 5.1. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the entire board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolutions of the Board of Directors, shall

have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the by-laws of the Corporation and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 5.2. Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

ARTICLE VI

OFFICERS

Section 6.1 Officers. The officers of the Corporation shall be a chief executive officer, a chief administrative officer, a president, a chairman of the Board, one or more executive vice presidents, one or more senior vice presidents, one or more vice presidents, a secretary, a controller, and a treasurer, each of whom shall be an executive officer of the Corporation appointed by the Board of Directors. The Corporation may also have one or more assistant vice presidents, one or more assistant secretaries, one or more assistant controllers, and one or more assistant treasurers, each of whom shall be an assistant officer of the Corporation appointed by the Executive Committee of the Board of Directors. Any number of offices may be held by the same person, unless the certificate of incorporation or these bylaws otherwise provide.

Section 6.2 Election. The Board of Directors at its first meeting after each annual meeting of stockholders shall elect all principal officers for the ensuing year and shall designate a chief executive officer and a chief financial officer. At its first meeting after each annual meeting of stockholders, the Executive Committee shall elect all assistant officers.

Section 6.3 Other Officers. The Board of Directors may appoint such other officers and agents as it shall deem necessary and they shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 6.4 Term. Subject to an applicable written employment agreement, if any, between the Corporation and any principal officer elected or appointed by the Board of Directors or any assistant officer appointed by the Executive Committee of the Board of Directors, said officer may be removed at any time, either with or without cause, by the affirmative vote of a majority of the Board of Directors or of the Executive Committee of the Board of Directors, respectively. Any vacancy

occurring in any office of the Corporation shall be filled by the Board of Directors or by the Executive Committee of the Board of Directors pursuant to the requirements of Section 6.1 of this Article VI. Compensation and other terms and conditions of employment of any principal officer shall be subject to approval of the Officer Compensation and Stock Option Committee and the Board of Directors. Compensation and other terms and conditions of employment of assistant officers shall be subject to approval of the Executive Committee of the Board of Directors.

Section 6.5 The Chairman of the Board of Directors. The chairman of the Board of Directors shall be responsible to the Board of Directors, shall prepare communications to the Board, and with input from the Executive Committee, shall prepare agenda for meetings of the Board of Directors. The Chairman of the Board of Directors shall be a member of the Executive Committee and shall preside over all meetings of the Board of Directors and of the stockholders. At the request of the President and Chief Executive Officer, the Chairman shall assist him in communications with stockholders, the press and the investment community. The chairman shall exercise and perform such other powers and duties as may, from time to time, be assigned to him by the Board of Directors or prescribed by these by-laws.

Section 6.6 The President. The president shall have general and active management over the business and affairs of the corporation, subject, however, to the powers and authority of the chief executive officer and to the control of the Board of Directors. In the absence or disability of the chief executive officer, the president shall perform the duties of the chief executive officer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the chief executive officer.

Section 6.7 The Chief Administrative Officer. In the absence or disability of the chief executive officer and the president, the chief administrative officer or any other officer of the corporation designated by the Board of Directors, shall perform the duties of the chief executive officer, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the chief executive officer. The chief administrative officer shall have such powers and perform such other duties as from time to time may be prescribed by the chief executive officer.

Section 6.8 The Senior Vice Presidents. In the absence of the chairman of the board or any executive vice presidents, the senior vice presidents, in order of their rank as fixed by the board of directors, or, if not ranked, the senior vice president designated by the Board of Directors shall perform the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The senior vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Executive Committee of the Board of Directors.

Section 6.9 The Vice Presidents. The vice presidents shall have such powers and perform such duties as may from time to time be prescribed by the Executive Committee of the Board of Directors.

Section 6.10 The Secretary. The secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors, committees of the board, and stockholders. Such minutes shall include all waivers of notice, consents to the holding of

meeting, or approvals of the minutes of meetings executed pursuant to these by-laws or statute. The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders, and the number and class of shares held by each.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by these by-laws or by law to be given, and shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these by-laws.

Section 6.11 The Assistant Secretary. The assistant secretary shall have all the powers and perform all the duties of the secretary in the absence or inability of the secretary to act.

Section 6.12 The Controller. The Controller of the Corporation shall be the general manager of the accounting, tax and internal audit functions of the Corporation and its subsidiaries, subject to the control of the chief financial officer. The controller shall have such other powers and perform such other duties as from time to time may be prescribed by the chief financial officer.

Section 6.13 The Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company and shall deposit all monies and other valuables in the name and to the credit of the Company. The treasurer shall also have such other powers and perform such other duties as may be prescribed by the Executive Committee of the Board of Directors.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

Section 7.1. Actions, Suits or Proceedings Other Than by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges, expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful; provided however, that the foregoing indemnity shall not be applicable as to any person who is or was or agreed to become an employee or agent of the

Corporation (other than employees or agents who are or were also officers or directors of the Corporation), or is or was serving or agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise (other than employees or agents who are or were also officers or directors of any such other corporation, partnership, joint venture, trust or enterprise), unless and until such indemnity is specifically approved by the Board of Directors. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 7.2. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection with the defense or settlement of such action or suit and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such costs, charges and expenses which the Court of Chancery or such other court shall deem proper; provided, however, that the foregoing indemnity shall not be applicable as to any person who is or was or agreed to become an employee or agent of the Corporation (other than employees or agents who are or were also officers or directors of the Corporation), or is or was serving or agreed to serve at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise other than employees or agents who are or were also officers or directors of any such other corporation, partnership, joint venture, trust or enterprise), unless and until such indemnity is specifically approved by the Board of Directors.

Section 7.3. Indemnification for Costs, Charges and Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to in Sections 7.1 and 7.2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against all costs, charges and expenses (including attorneys'

fees) actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7.4. Determination of Right to Indemnification. Any indemnification under Sections 7.1 and 7.2 of this Article (unless ordered by a court) shall be paid by the Corporation unless a determination is made (1) by the Board of Directors by a majority vote of the quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders, that indemnification of the director, officer, employee or agent is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Sections 7.1 and 7.2 of this Article.

Section 7.5. Advance of Costs, Charges and Expenses. Costs, charges and expenses (including attorneys' fees incurred by a person referred to in Sections 7.1 and 7.2 of this Article in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding; providing, however, that the payment of such costs, charges and expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer) in advance of the final disposition of such action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director or officer to repay all amounts so advanced in the event that it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article. Such costs, charges and expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate. The Board of Directors may, in the manner set forth above, and upon approval of such director, officer, employee or agent of the Corporation, authorize the Corporation's counsel to represent such person, in any action, suit or proceeding, whether or not the Corporation is a party to such action suit or proceeding.

Section 7.6. Procedure for Indemnification. Any indemnification under Sections 7.1, 7.2 or 7.3, or advance of costs, charges and expenses under Section 7.5 of this Article, shall be made promptly, and in any event within 30 days, upon the written request of the director, officer, employee or agent. The right to indemnification or advances as granted by this Article shall be enforceable by the director, officer, employee or agent in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within 30 days. Such persons, costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the Corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 7.5 of this Article where the required undertaking, if any, has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Sections 7.1 or 7.2 of this Article, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification

of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 7.1 or 7.2 of this Article, nor the fact that there has been an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 7.7. Other Rights; Continuation of Right to Indemnification. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any law (common or statutory), agreement, vote of stockholders or disinterested director or otherwise, both as to action in his official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification under this Article shall be deemed to be a contract between the Corporation and each director, officer, employee or agent of the Corporation who serves or served in such capacity at any time while this Article is in effect. Any repeal or modification of this Article or any repeal or modification of relevant provisions of the Delaware General Corporation Law or any other applicable laws shall not in any way diminish any rights to indemnification of such director, officer, employee or agent or the obligations of the Corporation arising hereunder.

Section 7.8. Insurance. The Corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire Board of Directors.

Section 7.9. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director, officer, employee and agent of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII STOCKHOLDERS

Section 8.1. Certificates of Stock. Every holder of shares in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the chairman, the president or a vice president and the secretary or an assistant secretary of the Corporation,

or the treasurer or an assistant treasurer, certifying the number of shares owned by him in the Corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 8.2. Lost Certificates. The Board of Directors may direct a new certificate or certificates of stock to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates the Corporation may, in its discretion, and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond (or other adequate security) in such sum as it may direct as indemnity against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 8.3. Transfer of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 8.4. Stockholders of Record. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting, but the board shall fix a new record date if the meeting is adjourned for more than forty-five days from the date set for the original meeting.

Section 8.5. No Record Date. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business at the day next preceding the day on which notice is given, or, if notice is waived, at the end of business of the day next preceding the day on which the meeting is held. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 8.6. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its

books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX
GENERAL PROVISIONS

Section 9.1. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 9.2. Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the name of the state of its incorporation. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

ARTICLE X
AMENDMENTS

Section 10.1. Amendments. Subject to the provisions of the Certificate of Incorporation, these by-laws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a vote of not less than 70% of the outstanding stock entitled to vote at such meeting; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the certificate of incorporation and these by-laws, the Board of Directors may by majority vote of those present at any meeting at which a quorum is present amend these by-laws, or enact such other by-laws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation.

EXHIBIT 3.2.1

ABM INDUSTRIES INCORPORATED
RESOLUTION AMENDING THE BYLAWS
EFFECTIVE FEBRUARY 12, 1999

WHEREAS, it is deemed to be in the best interests of the Company to make certain amendments to the Company's Bylaws,

NOW, THEREFORE, BE IT RESOLVED, that a new Section 2.4 of Article II be added, which shall read in its entirety as follows:

"Section 2.4 Business at Annual Meetings

At an annual meeting of stockholders, only such business shall be conducted as shall have been brought before the meeting (i) pursuant to the Corporation's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who shall have complied with the notice procedures set forth in this Bylaw.

For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.4(a) of this Bylaw, notice in writing must be delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such meeting's anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the annual meeting is first made. Such stockholder's notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business to be brought before the annual meeting and the reasons for conducting such business at such meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of the Corporation's stock which are beneficially owned by the stockholder, and by the beneficial owner, if any, on whose behalf the proposal is made; and (iv) any material interest of the stockholder, and of

the beneficial owner, if any, on whose behalf the proposal is made, in such business. For purposes of these Bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Bylaw. The chairman of the meeting may, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with the provisions of this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act."

FURTHER RESOLVED, that the current Sections 2.4 through 2.14 be renumbered as Section 2.5 through Section 2.15 accordingly; and

RESOLVED FURTHER, that Section 3.6 of the Corporation's Bylaws be, and it hereby is, amended to read in its entirety as follows:

"SECTION 3.6 NOMINATIONS OF DIRECTORS

Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as directors. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders (i) by the Board of Directors or a committee appointed by the Board of Directors authorized to make such nominations or (ii) by any stockholder of the Corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Bylaw. Nominations by stockholders shall be made pursuant to notice in writing, delivered or mailed, postage prepaid, to the Secretary of the Corporation and received at the principal executive offices of the Corporation (i) in the case of an annual meeting, not less than 60 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders, provided, however, that in the event that the date of the meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder must be received not later than the close of business on the later of the 60th day

prior to such date of mailing of proxy materials or the 10th day following the day on which public announcement of the date of the meeting is first made; or (ii) in the case of a special meeting at which directors are to be elected, not later than the close of business on the later of the 60th day prior to such special meeting or the 10th day following the day on which public announcement of the date of the meeting and of the nominees proposed by the Board of Directors to be elected at such meeting is first made. Such stockholder's notice shall set forth (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated by the Board of Directors; and (v) the written consent of such nominee to serve as a director of the Corporation if elected. At the request of the Board of Directors, or any committee appointed by the Board of Directors authorized to make such nominations, any person nominated by the Board of Directors, or such committee, for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination that pertains to the nominee. Notwithstanding anything in this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public statement naming all the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in these Bylaws. The chairman of the meeting may, if the facts warrant, determine that a nomination was not made in accordance with the procedures prescribed in this Bylaw; and if the chairman should so determine, the chairman shall so declare to the meeting, and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act, and the rules and regulations thereunder with respect to the matters set forth in this Bylaw." BE IT FURTHER RESOLVED, that the foregoing amendments be effective February 12, 1999.

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OCT-31-1999
JUL-31-1999
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283,718
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22,383
353,194
93,814
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544,365
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26,464
1.19
1.10