Table of Contents

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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2005**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

COMMISSION FILE NUMBER: 1-8929

ABM INDUSTRIES INCORPORATED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	94-1369354
(State of Incorporation)	(I.R.S. Employer Identification No.)

160 Pacific Avenue, Suite 222, San Francisco, California 94111

(Address of principal executive offices)(Zip Code)

415/733-4000

(Registrant's telephone number, including area code)

N/A

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

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

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

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

Number of shares of common stock outstanding as of August 31, 2005: 48,767,160.

ABM INDUSTRIES INCORPORATED

FORM 10-Q
For the three months and nine months ended July 31, 2005

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	July 31, 2005	October 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 43,202	$ 63,369
Trade accounts receivable, net	350,938	307,237
Inventories	20,559	20,554
Deferred income taxes	40,561	40,918
Prepaid expenses and other current assets	44,959	38,607
Assets held for sale	—	14,441
Total current assets	500,219	485,126
Investments and long-term receivables	9,138	10,450
Property, plant and equipment, at cost		
Land and buildings	5,070	5,054
Transportation equipment	14,455	14,039
Machinery and other equipment	77,742	77,506
Leasehold improvements	16,036	14,176
	113,303	110,775
Less accumulated depreciation and amortization	(78,282)	(79,584)
Property, plant and equipment, net	35,021	31,191
Goodwill, net of accumulated amortization	242,343	225,495
Other intangibles, at cost	37,705	30,278
Less accumulated amortization	(12,212)	(7,988)
Other intangibles, net	25,493	22,290
Deferred income taxes	46,718	48,802
Other assets	18,422	19,170
Total assets	$877,354	$842,524

(Continued)

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	July 31, 2005	October 31, 2004
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 42,994	$ 42,553
Income taxes payable	3,263	10,065
Liabilities held for sale	—	3,926
Accrued liabilities:		
Compensation	64,071	64,350
Taxes — other than income	18,840	18,162
Insurance claims	66,730	67,662
Other	57,043	47,710
Total current liabilities	252,941	254,428
Retirement plans and other non-current liabilities	24,861	25,658
Insurance claims	126,865	120,277
Total liabilities	404,667	400,363
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; 54,296,000 and 52,707,000 shares issued at July 31, 2005 and October 31,2004, respectively	544	527
Additional paid-in capital	201,686	178,543
Accumulated other comprehensive loss	(160)	(108)
Retained earnings	366,994	328,258
Cost of treasury stock (5,600,000 and 4,000,000 shares at July 31, 2005 and October 31, 2004), respectively	(96,377)	(65,059)
Total stockholders' equity	472,687	442,161
Total liabilities and stockholders' equity	$877,354	$842,524

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amounts)	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004 As Restated	Nine Months Ended July 31, 2005	Nine Months Ended July 31, 2004 As Restated
Revenues				
Sales and other income	$650,140	$612,797	$1,927,860	$1,755,355
Gain on insurance claim	—	—	1,195	—
Total revenues	650,140	612,797	1,929,055	1,755,355
Expenses				
Operating expenses and cost of goods sold	570,959	547,891	1,726,542	1,585,606
Selling, general and administrative	44,417	43,683	139,455	125,240
Intangible amortization	1,430	1,294	4,264	3,239
Interest	220	255	713	746
Total expenses	617,026	593,123	1,870,974	1,714,831
Income from continuing operations before income taxes	33,114	19,674	58,081	40,524
Income taxes	11,422	6,778	18,202	14,196
Income from continuing operations	21,692	12,896	39,879	26,328
Income (loss) from discontinued operations, net of income taxes	(15)	252	233	495
Gain on sale of discontinued operations, net of income taxes	14,221	—	14,221	—
Net income	$ 35,898	$ 13,148	$ 54,333	$ 26,823
Net income per common share — Basic				
Income from continuing operations	$ 0.45	$ 0.26	$ 0.81	$ 0.54
Income (loss) from discontinued operations	(0.01)	0.01	—	0.01
Gain on sale of discontinued operations	0.29	—	0.29	—
	$ 0.73	$ 0.27	$ 1.10	$ 0.55
Net income per common share — Diluted				
Income from continuing operations	$ 0.43	$ 0.25	$ 0.79	$ 0.53
Income from discontinued operations	—	0.01	—	0.01
Gain on sale of discontinued operations	0.29	—	0.29	—
	$ 0.72	$ 0.26	$ 1.08	$ 0.54
Average common and common equivalent shares				
Basic	49,487	48,748	49,470	48,658
Diluted	50,462	50,226	50,522	50,052
Dividends declared per common share	$ 0.105	$ 0.10	$ 0.315	$ 0.30

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JULY 31, 2005 AND 2004

(in thousands)	2005	2004 As Restated
Cash flows from operating activities:		
Net income	$ 54,333	$ 26,823
Less income from discontinued operations	(14,454)	(495)
Income from continuing operations	39,879	26,328
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and intangible amortization	14,670	13,206
Provision for bad debts	702	3,019
Gain on sale of assets	(61)	(158)
Increase in deferred income taxes	1,477	(3,634)
Increase in trade accounts receivable	(37,268)	(20,562)
(Increase) decrease in inventories	(5)	279
(Increase) decrease in prepaid expenses and other current assets	(6,204)	3,000
Decrease (increase) in other assets	259	(5,569)
(Decrease) increase in income taxes payable	(12,172)	4,135
(Decrease) increase in retirement plans accrual and other non-current liabilities	(797)	906
Increase in insurance claims liability	5,656	11,109
Increase in trade accounts payable and other accrued liabilities	8,354	10,174
Total adjustments to net income	(25,389)	15,905
Net cash flows from continuing operating activities	14,490	42,233
Net operational cash flows from discontinued operations	372	(29,810)
Net cash provided by operating activities	14,862	12,423
Cash flows from investing activities:		
Additions to property, plant and equipment	(14,887)	(9,250)
Proceeds from sale of assets	1,254	507
Decrease in investments and long-term receivables	1,312	1,260
Purchase of businesses	(25,430)	(48,209)
Proceeds from sale of business	32,250	—
Net investing cash flows from discontinued operation	—	(10)
Net cash used in investing activities	(5,501)	(55,702)
Cash flows from financing activities:		
Common stock issued	17,387	7,510
Common stock purchases	(31,318)	(11,073)
Dividends paid	(15,597)	(14,604)
Net cash used in financing activities	(29,528)	(18,167)
Net decrease in cash and cash equivalents	(20,167)	(61,446)
Cash and cash equivalents beginning of period	63,369	110,947
Cash and cash equivalents end of period	$ 43,202	$ 49,501
Supplemental Data:		
Cash paid for income taxes	$ 28,897	$ 44,681
Non-cash investing activities:		
Common stock issued for business acquired	$ 3,490	$ —

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

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments necessary to present fairly ABM Industries Incorporated (ABM) and subsidiaries' (the Company) financial position as of July 31, 2005 and the results of operations for the three and nine months then ended, and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature, except as otherwise noted.

The information included in this Form 10-Q should be read in conjunction with the Management's Discussion and Analysis, the consolidated financial statements and the notes thereto included in the Company's Form 10-K Annual Report for the fiscal year ended October 31, 2004, as filed with the Securities and Exchange Commission.

In addition to the discontinued operations certain reclassifications of prior year amounts have been made to conform with the current year presentation.

On June 2, 2005, the Company sold substantially all of the operating assets of its wholly owned subsidiary, CommAir Mechanical Services (Mechanical). Most of the remaining assets, consisting of the assets of the water treatment business, were sold separately on July 31, 2005. As a result of these events, the assets and liabilities of Mechanical have been segregated and its operating results and cash flows have been reported as a discontinued operation in the accompanying consolidated financial statements of the Company. See Note 10.

2. Previous Restatement of Prior Periods

During the preparation of the financial statements for the year ended October 31, 2004, the Company concluded that the methodology it was using to estimate its self-insurance reserves in its previously issued financial statements was not in accordance with generally accepted accounting principles (GAAP) and therefore restated its previously issued financial statements in connection with the preparation of the financial statements included in its Annual Report on Form 10-K for the year ended October 31, 2004. As a result of the decision to restate, the Company further determined to make additional corrections to its financial statements. The effects of the restatement for the correction of these errors on the three and nine months ended July 31, 2004 are shown below:

(in thousands)	Three Months Ended July 31, 2004	Nine Months Ended July 31, 2004
Insurance	$(608)	$(1,666)
Intangible amortization	—	899
Software amortization	(135)	(405)
Decrease in income from continuing operations before income taxes	(743)	(1,172)
Income taxes	(497)	(661)
Decrease in income from continuing operations, net of income taxes	$(246)	$ (511)

Detailed information on the restatement is included in the Company's Form 10-K Annual Report for the fiscal year ended October 31, 2004, as filed with the Securities and Exchange Commission.

3. Net Income per Common Share

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

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in thousands, except per share data)	2005	2004	2005	2004
		As Restated		As Restated
Net income available to common stockholders	$35,898	$13,148	$54,333	$26,823
Average common shares outstanding — Basic	49,487	48,748	49,470	48,658
Effect of dilutive securities:				
Stock options	975	1,478	1,052	1,394
Average common shares outstanding — Diluted	50,462	50,226	50,522	50,052
Net income per common share — Basic	$ 0.73	$ 0.27	$ 1.10	$ 0.55
Net income per common share — Diluted	$ 0.72	$ 0.26	$ 1.08	$ 0.54

For purposes of computing diluted net income per common share for each quarter, 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 shares for the quarter (*i.e.*, "out-of-the-money" options). For the three months ended July 31, 2005 and 2004, options to purchase common shares of 324,500 and 23,250, respectively, at weighted average exercise prices of $21.49 and $19.04, respectively, were excluded from the computation.

4. Stock-Based Compensation

The Company accounts for stock-based employee compensation plans, including purchase rights issued under the Employee Stock Purchase Plan, using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's application of APB Opinion No. 25 does not result in compensation cost because the exercise price of the options is equal to or greater than the fair value of the stock at the grant date. Under the intrinsic value method, if the fair value of the stock is greater than the exercise price at the grant date, the excess is amortized to compensation expense over the estimated service life of the recipient.

On March 24, 2005, the Company amended its 2002 Price-Vested Performance Stock Option Plan (2002 Plan) to permit the Company to make grants with exercise prices at or above the fair market value of the Company's common stock on the date of grant. Prior to the amendment, the 2002 Plan called for all grants to have exercise prices equal to the fair market value of the Company's common stock on the day of grant.

On June 7, 2005, the Company amended its Time-Vested Incentive Stock Option Plan and its 2002 Plan to permit the Company to make grants effective on a future date. For purposes of determining exercise prices of an option effective on a future date, the fair market value will be the closing price of the Company's common stock on such future date.

On June 14, 2005, the Company amended the 2002 Plan to change the accelerated vesting prices of options granted on that date to $23.00 and $26.00. The options will vest within the first four years if the fair market value of the Company's common stock equals or exceeds $23.00 with respect to the first 50% of options and $26.00 with respect to the remaining options. If, at the end of four years, either of the stock price performance targets were not achieved, then the remaining options would vest at the end of eight years from the date the options were granted.

As all options granted since October 31, 1995 had exercise prices equal to or greater than the market value of the underlying common stock on the date of grant, no stock-based employee compensation cost was reflected in net income for the three and nine months ended July 31, 2005 and 2004, except for $42,000 of compensation expense recorded in the first three months of 2005 due to the accelerated vesting of options for 4,000 common shares in connection with the termination of an employee on December 7, 2004. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to all outstanding employee options granted after October 31, 1995 using the retroactive restatement method:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in thousands, except per share data)	2005	2004	2005	2004
		As Restated		As Restated
Net income, as reported	$35,898	$13,148	$54,333	$26,823
Deduct: Stock-based employee compensation cost, net of tax effect, that would have been included in net income if the fair value method had been applied	799	298	2,300	1,342
Net income, pro forma	$35,099	$12,850	$52,033	$25,481
Net income per common share — Basic				
As reported	$ 0.73	$ 0.27	$ 1.10	$ 0.55
Pro forma	$ 0.71	$ 0.26	$ 1.05	$ 0.52
Net income per common share — Diluted				
As reported	$ 0.72	$ 0.26	$ 1.08	$ 0.54
Pro forma	$ 0.70	$ 0.26	$ 1.03	$ 0.51

For purposes of calculating the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models. The use of these models requires subjective assumptions, including future stock price volatility and expected time to exercise, which can have a significant effect on the calculated values. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2005	2004	2005	2004
Expected life from the date of grant	10 years	8.1 years	9.2 years	7.3 years
Expected stock price volatility average	23.3%	20.5%	22.9%	24.5%
Expected dividend yield	2.3%	2.1%	2.2%	2.6%
Risk-free interest rate	4.1%	4.5%	4.1%	3.7%
Weighted average fair value of grants	$5.15	$4.92	$5.16	$4.18

The Company's pro forma calculations are based on a single option valuation approach. The computed pro forma fair value of the options awards are amortized over the required vesting periods. For purposes of the pro forma calculations, should options vest earlier, the remaining unrecognized value is recognized immediately and stock option forfeitures are recognized as they occur.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, "Share-Based Payment." This statement is a revision to SFAS No. 123 and supercedes APB Opinion No. 25. SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service. SFAS No. 123R is effective as of the beginning of the first annual reporting period that begins after June 15, 2005. In accordance with the standard, the Company will adopt SFAS No. 123R effective November 1, 2005. The Company believes that the impact that the adoption of SFAS No. 123R will have on its financial position or results of operations will approximate the magnitude of the stock-based employee compensation costs disclosed in this note.

5. Parking Revenue Presentation

The Company's Parking segment reports both revenues and expenses recognized, in equal amounts, for costs directly reimbursed from its managed parking lot clients in accordance with Emerging Issues Task Force (EITF) Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred." Parking sales related solely to the reimbursement of expenses totaled $57.6 million and $54.3 million for the three months ended July 31, 2005 and 2004, respectively, and $172.1 million and $160.3 million for the nine months ended July 31, 2005 and 2004, respectively.

6. Insurance

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

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

The 2005 actuarial report covering substantially all of the Company's self-insurance reserves was completed in the third quarter of 2005. The report showed favorable developments in the Company's California workers' compensation and general and auto liability claims, offset in part by adverse development in the Company's workers' compensation claims outside of California, in each case as of May 1, 2005. The net favorable development required the Company to reduce its self-insurance reserve by $9.0 million. Of the $9.0 million, $5.5 million was attributable to reserves for 2004 and prior years, of which $1.4 million was attributable to a correction of an overstatement of reserves at October 31, 2004, while $3.5 million was a reduction of the insurance provision for the first six months of 2005. The $5.5 million was recorded by Corporate while the $3.5 million was allocated to the operating segments. Including the $3.5 million benefit, the total insurance expense recorded by the operating segments for the first nine months of 2005 was flat compared to the first nine months of 2004 except for the additional insurance expense attributable to acquisitions.

The actuarial report referred to above covers insurance reserves totaling $185.6 million as of July 31, 2005. The Company also has several low deductible self-insurance programs that cover general liability expenses at malls, special event facilities and airport shuttles, as well as workers' compensation for selected employees in certain states. The actuarial valuations of these self-insurance reserves are in the process of being performed and are expected to be completed in the fourth quarter of 2005. The aggregate amounts of these self-insurance reserves were $8.0 million and $5.9 million at July 31, 2005 and October 31, 2004, respectively.

The total estimated liability for claims incurred but unpaid at July 31, 2005 and October 31, 2004 was $193.6 million and $187.9 million, respectively.

In connection with certain self-insurance programs, the Company had standby letters of credit at July 31, 2005 and October 31, 2004 supporting estimated unpaid liabilities in the amounts of $82.1 million and $88.3 million, respectively.

7. Variable Interest Entities

The Company has investments in two low income housing tax credit partnerships. Purchased in 1995 and 1998, these limited partnerships, organized by independent third parties and sold as investments, are variable interest entities as defined by FASB Financial Interpretation (FIN) No. 46R, a revision to FIN 46, "Consolidation of Variable Interest Entities." In accordance with FIN 46R, these partnerships are not consolidated in the Company's consolidated financial statements because the Company is not the primary beneficiary of the partnerships. At July 31, 2005 and October 31, 2004, the at-risk book value of these investments totaled $3.2 million and $3.9 million, respectively.

8. Goodwill and Other Intangibles

Goodwill. The changes in the carrying amount of goodwill for the nine months ended July 31, 2005 were as follows (acquisitions are discussed in Note 9):

(in thousands) Segment	Balance as of October 31, 2004	Initial Payments for Acquisitions	Contingent Amounts	Balance as of July 31, 2005
Janitorial	$ 139,221	$ 3,650	$ 7,840	$ 150,711
Parking	28,749	—	650	29,399
Security	37,605	2,563	1,889	42,057
Engineering	2,174	—	—	2,174
Lighting	17,746	—	256	18,002
Total	$ 225,495	$ 6,213	$ 10,635	$ 242,343

The $2.6 million increase in Security's goodwill for initial payments for acquisitions includes $1.0 million that resulted from recording a deferred tax liability from the Sentinel Guard Systems (Sentinel) transaction in the first quarter of 2005. See Note 9.

Other Intangibles. The changes in the gross carrying amount and accumulated amortization of intangibles other than goodwill for the nine months ended July 31, 2005 were as follows (acquisitions are discussed in Note 9):

	Gross Carrying Amount				Accumulated Amortization			
(in thousands)	October 31, 2004	Additions	Retire-ments	July 31, 2005	October 31, 2004	Additions	Retire-ments	July 31, 2005
Customer contracts and related relationships	$ 21,217	$ 6,900	$ —	$28,117	$ (3,546)	$ (2,970)	$ —	$ (6,516)
Trademarks and trade names	3,000	50	—	3,050	(570)	(522)	—	(1,092)
Other (contract rights, etc.)	6,061	517	(40)	6,538	(3,872)	(772)	40	(4,604)
Total	$ 30,278	$ 7,467	$ (40)	$37,705	$ (7,988)	$ (4,264)	$ 40	$(12,212)

The weighted average remaining lives as of July 31, 2005 and the amortization expense for the three and nine months ended July 31, 2005 and 2004 of intangibles other than goodwill, as well as the estimated amortization expense for such intangibles for each of the five succeeding fiscal years are as follows:

	Weighted Average Remaining Life	Amortization Expense				Estimated Amortization Expense				
		Three Months Ended July 31,		Nine Months Ended July 31,		Years Ending October 31,				
($ in thousands)	(Years)	2005	2004	2005	2004	2006	2007	2008	2009	2010
					As Restated					
Customer contracts and related relationships	10.6	$1,031	$ 791	$2,970	$ 1,917	$3,780	$3,379	$2,978	$2,577	$2,176
Trademarks and trade names	3.6	135	180	522	353	540	540	540	203	—
Other (contract rights, etc.)	5.5	264	323	772	969	732	146	139	128	102
Total	9.6	$1,430	$1,294	$4,264	$ 3,239	$5,052	$4,065	$3,657	$2,908	$2,278

The customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible asset are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are being amortized over the contract periods using the straight-line method.

9. Acquisitions

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

Cash paid for acquisitions, including initial payments and contingent amounts based on subsequent performance, was $25.4 million and $48.2 million in the nine months ended July 31, 2005 and 2004, respectively. Of those payment amounts, $10.6 million and $4.0 million were the contingent amounts paid

in the nine months ended July 31, 2005 and 2004, respectively, on earlier acquisitions as provided by the respective purchase agreements. In addition, shares of ABM's common stock with a fair market value of $3.5 million at the date of issuance were issued in the nine months ended July 31, 2005 as payment for business acquired.

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

On November 1, 2004, the Company acquired substantially all of the operating assets of Sentinel, a Los Angeles-based company, from Tracerton Enterprises, Inc. Sentinel, with annual revenues in excess of $13.0 million, was a provider of security officer services primarily to high-rise, commercial and residential structures. In addition to its Los Angeles business, Sentinel also operated an office in San Francisco. The total purchase price was $5.3 million, which included an initial payment of $3.5 million in shares of ABM's common stock, the assumption of liabilities totaling approximately $1.7 million and $0.1 million of professional fees. Of the total purchase price, $2.4 million was allocated to customer relationship intangible asset, $0.1 million to trademarks and trade names, $1.3 million to customer accounts receivable and other assets and $1.5 million to goodwill. Additionally, because of the tax-free nature of this transaction to the seller, the Company recorded a $1.0 million deferred tax liability on the difference between the recorded fair market value and the seller's tax basis of the net assets acquired. Goodwill was increased by the same amount. Additional consideration includes contingent payments, based on achieving certain revenue and profitability targets over a three-year period, estimated to be between $0.5 million and $0.75 million per year, payable in shares of ABM's common stock.

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

On March 4, 2005, the Company acquired the operating assets of Amguard Security and Patrol Services (Amguard), based in Germantown, Maryland, for $1.1 million in cash. Additional consideration includes a contingent payment in the amount of $0.45 million, subject to reduction in the event certain revenue targets are not achieved. With annual revenues in excess of $4.5 million, Amguard was a provider of security officer services, primarily to high-rise, commercial and residential structures. Of the total initial payment, $0.9 million was allocated to customer relationship intangible assets, $0.1 million to goodwill and $0.1 million to other assets.

The Company made the following acquisitions during the nine months ended July 31, 2004:

On March 15, 2004, the Company acquired substantially all of the operating assets of Security Services of America, LLC (SSA), a North Carolina limited liability company and wholly owned subsidiary of SSA Holdings II, LLC. SSA, also known as "Silverhawk Security Specialists" and "Elite Protection Services," provided full service private security and investigative services to a diverse client base that included small, medium and large businesses throughout the Southeast and Midwest regions of the United States. The total acquisition cost included an initial cash payment of $40.7 million, net of liabilities assumed totaling $0.3 million, plus contingent payments equal to 20% to 25% of adjusted earnings before interest and taxes, depending upon the level of actual earnings, for each of the years in the five-year period following the date of acquisition. Of the total purchase price, $7.1 million was allocated to customer relationship intangible asset and $2.7 million to trademarks and trade names. Additionally, $2.2 million of the total purchase price was allocated to fixed and other tangible assets and $29.0 million to goodwill.

On April 2, 2004, the Company acquired substantially all of the commercial janitorial assets of the Northeast United States Division of Initial Contract Services, Inc., a provider of janitorial services based in New York. The acquisition included key accounts throughout the Northeast region totaling approximately 50 buildings. The total acquisition cost included an initial cash payment of $3.5 million, of which $0.9 million was allocated to customer relationship intangible asset, $1.8 million to accounts receivable and $0.8 million to other assets, plus annual contingent payments for each of the years in the five-year period following the acquisition date, calculated as follows: 3% of the acquired operation's revenues for the first and second year, 2% for the third and fourth year, and 1% for the fifth year.

Due to the size of these acquisitions, individually and in aggregate, pro forma information is not included in the consolidated financial statements.

10. Discontinued Operations

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

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

The assets and liabilities of Mechanical in the prior period financials have been segregated and the operating results and cash flows have been reported as a discontinued operation in the accompanying consolidated financial statements. Income taxes have been allocated using the estimated combined federal and state tax rates applicable to Mechanical for each of the periods presented. The prior periods presented have been reclassified.

Assets and liabilities of Mechanical included in the accompanying consolidated balance sheet were as follows at May 31, 2005 (before the date of sale of the main portion of Mechanical to Carrier on June 2, 2005) and October 31, 2004:

(in thousands)	May 31, 2005	October 31, 2004
Trade accounts receivable, net	$ 9,903	$ 10,476
Inventories	2,084	1,706
Property, plant and equipment, net	126	163
Goodwill, net of accumulated amortization	1,952	1,952
Other	60	144
Total assets	14,125	14,441
Trade accounts payable	2,292	2,682
Accrued liabilities:		
Compensation	350	476
Taxes — other than income	331	204
Other	989	564
Total liabilities	3,962	3,926
Net assets	$10,163	$ 10,515

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc. (Elevator), a wholly owned subsidiary of ABM that represented the Company's Elevator segment, to Otis Elevator Company, a wholly owned subsidiary of United Technologies Corporation (Otis Elevator). The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in connection with the sale included $112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. In fiscal 2003, the Company realized a gain on the sale of $52.7 million, which was net of $32.7 million of income taxes, of which $30.5 million was paid with the extension of the federal and state income tax returns on January 15, 2004. This payment has been reported as a discontinued operation in the accompanying consolidated statements of cash flows. Income taxes on the gain on sale of discontinued operation for the third quarter of 2005 included a $0.9 million benefit from the correction of the overstatement of income taxes provided for the Elevator gain. The overstatement was related to the incorrect treatment of goodwill associated with assets acquired by Elevator in 1985.

In June 2005, the Company settled litigation that arose from and was directly related to the operations of Elevator prior to its disposal. An estimated liability was recorded on the date of disposal. The settlement amount was less than the estimated liability by $0.2 million, pre-tax. This difference was recorded as income from discontinued operation in the second quarter of 2005.

The operating results of Mechanical for the three and nine months ended July 31, 2005 and 2004 and the Elevator adjustments are shown below. Operating results for 2005 for the portion of Mechanical's business sold to Carrier are for the periods beginning May 1, 2005 and November 1, 2004, respectively, through the date of sale, June 2, 2005. Operating results for 2005 for Mechanical's water treatment business are for the full three and nine months periods.

(In thousands)	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004	Nine Months Ended July 31, 2005	Nine Months Ended July 31, 2004
Revenues	$ 4,472	$10,976	$24,775	$29,586
Income (loss) before income taxes	$ (21)	$ 414	$ 383	$ 815
Income taxes	(6)	162	150	320
Income (loss) from discontinued operations, net of income taxes	$ (15)	$ 252	$ 233	$ 495

11. Line of Credit Facility

On May 25, 2005, ABM terminated its $250 million three-year syndicated line of credit scheduled to expire on July 1, 2005 (old Facility) and replaced the old Facility with a new $300 million five-year syndicated line of credit scheduled to expire on May 25, 2010 (new Facility).

Under the new Facility, no compensating balances are required and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.375% to 1.125% or, for overnight loan borrowings, at the prime rate or, for overnight to one week, at the Interbank Offered Rate (IBOR) plus a spread of 0.375% to 1.125%. The spreads for LIBOR, prime and IBOR borrowings are based on ABM's leverage ratio. The new Facility calls for a non-use fee payable quarterly, in arrears, of 0.125%, based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with ABM's self-insurance program and cash borrowings are considered to be outstanding amounts. As of July 31, 2005 and October 31, 2004, the total outstanding amounts under the applicable Facility were $91.6 million and $96.5 million, respectively, in the form of standby letters of credit. The Company was in compliance with all covenants at those dates.

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

12. Comprehensive Income

Comprehensive income consists of net income and other related gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income. For the Company, such other comprehensive income items consist of unrealized foreign currency translation gains and losses. Comprehensive income for the three and nine months ended July 31, 2005 and 2004 approximated net income.

13. Treasury Stock

On March 11, 2003, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through December 31, 2003. The Company purchased 1.4 million shares under this authorization at a cost of $21.1 million (an average price per share of $15.04) through October 31, 2003. In the two months ended December 31, 2003, the Company purchased 0.1 million shares at a cost of $1.7 million (an average price per share of $16.90).

On December 9, 2003, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through December 31, 2004. The Company purchased 0.5 million shares under this authorization at a cost of $9.4 million (an average price per share of $18.77) through October 31, 2004. No purchases were made in the two months ended December 31, 2004 when this authorization expired.

On March 7, 2005, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's outstanding common stock at any time through October 31, 2005. The Company purchased 1.6 million shares under this authorization at a cost of $31.3 million (an average price per share of $19.57) through July 31, 2005.

14. Employee Benefit Plans

Retirement and Post-Retirement Plans

The net cost of the defined benefit retirement plans and the post-retirement benefit plan for the three and nine months ended July 31, 2005 and 2004 were as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(in thousands)	2005	2004	2005	2004
Defined Benefit Plans				
Service cost	$ 53	$ 61	$ 151	$ 222
Interest	222	143	502	435
Net expense	$ 275	$ 204	$ 653	$ 657
Post-Retirement Benefit Plan				
Service cost	$ 10	$ 10	$ 30	$ 30
Interest	68	69	203	207
Net expense	$ 78	$ 79	$ 233	$ 237

The defined benefit plans include the Company's retirement agreements for approximately 55 current and former directors and senior executives (Supplemental Executive Retirement Plan) and an unfunded severance pay plan covering certain qualified employees (Service Award Benefit Plan). The Supplemental Executive Retirement Plan was amended effective December 31, 2002 to preclude new participants and the Service Award Benefit Plan was amended effective January 1, 2002 to no longer award any further benefits. The Service Award Benefit Plan was further amended effective April 6, 2005 to require only a lump-sum distribution of benefits, where previously two annual payments were required. In addition, participants currently receiving annual payments are to receive any remaining unpaid benefits as soon as administratively possible. The post-retirement benefit plan is the Company's unfunded post-retirement death benefit plan.

The interest costs in 2005 include expenses associated with the accelerated payments to employees of Mechanical, which was sold in the third quarter of 2005.

401(k) Plan

The Company made matching 401(k) contributions required by the 401(k) plan for both of the three months ended July 31, 2005 and 2004 in the amount of $1.3 million and for the nine months ended July 31, 2005 and 2004 in the amounts of $4.1 million and $3.8 million, respectively.

Deferred Compensation Plan

The Company has an unfunded deferred compensation plan available to executive, management, administrative or sales employees whose annualized base salary exceeds $95,000. The plan allows employees to make pre-tax contributions from one to twenty percent of their compensation. The deferred amount earns interest equal to the prime interest rate on the last day of the calendar quarter up to six percent. If the prime rate exceeds six percent, the deferred compensation interest rate is equal to six percent plus one half of the excess over six percent. The average interest rates credited to the deferred compensation amounts for the three months ended July 31, 2005 and 2004 were 6.17% and 4.42%,

respectively, and for the nine months ended July 31, 2005 and 2004 were 5.82% and 4.17%, respectively. At July 31, 2005, there were 78 active participants and 31 retired or terminated employees participating in the plan.

(in thousands)	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004	Nine Months Ended July 31, 2005	Nine Months Ended July 31, 2004
Employee contributions	$ 219	$ 275	$ 856	$ 971
Interest accrued	$ 153	$ 100	$ 436	$ 313
Payments	$ (23)	$ (72)	$ (2,414)	$ (574)

Pension Plan Under Collective Bargaining

Certain qualified employees of the Company are covered under union-sponsored multi-employer defined benefit plans. Contributions paid for these plans were $8.7 million and $8.3 million in the three months ended July 31, 2005 and 2004, respectively, and $26.1 million and $24.2 million in the nine months ended July 31, 2005 and 2004, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

15. Segment Information

Under the criteria of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. On November 1, 2004, Facility Services merged with Engineering. The operating results of Facility Services for the prior period have been reclassified to Engineering from the Other segment for comparative purposes. The operating results of Mechanical, also previously included in the Other segment, are reported separately under discontinued operations and are excluded from the table below. See Note 10. As a result of the reclassifications of Facility Services and Mechanical, the Other segment no longer exists. Corporate expenses are not allocated.

(in thousands)	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004 As Restated	Nine Months Ended July 31, 2005	Nine Months Ended July 31, 2004 As Restated
Sales and other income				
Janitorial	$384,381	$367,539	$1,141,961	$1,073,475
Parking	102,767	97,856	303,073	285,384
Security	74,702	65,012	220,465	157,986
Engineering	60,882	54,296	176,057	154,415
Lighting	26,877	27,510	85,080	83,060
Corporate	531	584	1,224	1,035
	$650,140	$612,797	$1,927,860	$1,755,355
Operating profit				
Janitorial	$ 25,165	$ 17,867	$ 47,795	$ 41,666
Parking	4,079	3,458	8,915	6,269
Security	4,302	2,594	9,756	5,787
Engineering	4,146	3,274	10,327	8,691
Lighting	927	442	2,421	1,726
Corporate	(5,285)	(7,706)	(21,615)	(22,869)
Operating profit	33,334	19,929	57,599	41,270
Gain on insurance claim	—	—	1,195	—
Interest expense	(220)	(255)	(713)	(746)
Income from continuing operations before income taxes	$ 33,114	$ 19,674	$ 58,081	$ 40,524

16. Contingencies

During the quarter ended April 30, 2005, the Company recorded a charge of $6.3 million for damages, court-awarded fees and other amounts awarded to the plaintiff in the case named *Forbes v. ABM*, as well as other costs (including interest through April 30, 2005) following the Washington Court of Appeals' April 21, 2005 denial of ABM's appeal of an earlier jury verdict. This gender discrimination lawsuit was originally filed in the State of Washington against ABM by a former employee of a subsidiary of ABM in September 1999. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court awarded $4.0 million in damages to the plaintiff. The court later awarded costs of $0.7 million to the plaintiff, pre-judgment interest in the amount of $0.3 million and an additional $0.8 million to mitigate the federal tax impact of the plaintiff's award. When the awards were made, the Company believed it had been denied a fair trial and appealed the verdict on the grounds that several key rulings by the court were incorrect and resulted in substantial prejudice to the Company. The Company also believed that the original verdict would be reversed because it was excessive and inconsistent with the law and the evidence. In August 2005, the Company and plaintiff agreed to settle the lawsuit for $5.0 million, which resulted in a partial reversal of the $6.3 million charge. The $5.0 million liability was included in other accrued liabilities as of July 31, 2005.

In 1998, ABM's parking subsidiary leased a parking facility in Houston, Texas, owned by a limited partnership jointly owned by affiliates of American National Insurance Company (ANICO) and partners associated with Gerry Albright (Albright affiliates.) In June 2003, the ANICO affiliates notified the Albright affiliates that they would sell their interest in the parking facility. The Albright affiliates accepted the offer and attempted to secure financing. In connection with certain proposed financing for the Albright affiliates, ABM's parking subsidiary was asked to submit an estoppel certificate and on that certificate it set forth certain claims under the lease. The Albright affiliates subsequently did not close the transaction and the ANICO affiliates acquired the interest in the parking facility held by the Albright affiliates. On December 5, 2003, the Albright affiliates filed a lawsuit against ABM, its parking subsidiary, and certain ANICO affiliates.

The complaint alleged that ABM breached its obligations under the parking facility lease and committed tortious interference, the ANICO affiliates breached fiduciary responsibilities under the partnership agreement, and that ABM and ANICO were engaged in a conspiracy. Subsequently, claims against ANICO were dismissed. The Albright affiliates assert damages consisting of (1) the value of the parking facility in excess of the purchase price at the time of the proposed purchase by the Albright affiliates ($1.8 million); (2) lost future revenues from the operation of the parking facility ($15.4 million); (3) future appreciation of the property during the remainder of the parking facility lease (a range from $9.9 million to $39.0 million); (4) exemplary damages; and (5) attorneys' fees. This matter is currently before the Federal District Court in Houston, Texas. ABM believes that it acted in good faith under the terms of the lease and is not liable to the Albright affiliates for their damages related to their inability to secure financing. If ABM were found liable, ABM believes that the amount of the Albright affiliates' damages would be approximately $3.26 million. ABM further believes that any damages in excess of $150,000 incurred in this lawsuit would represent an insured loss under its commercial general liability coverage and commercial umbrella coverage and that its carriers have a duty to provide a defense. ABM has notified its carriers who have denied coverage or indicated an intention to deny coverage. In August 2005, ABM filed a complaint for declaratory judgment against its insurance carriers in Federal District Court in San Francisco, California to ensure its coverage for any damages related to the claims of the Albright affiliates. As of the filing of this report, ABM believes that the likelihood of the loss occurring is not probable and, therefore, it has not accrued any amount for this matter.

In December 1997, ABM's parking subsidiary entered into a five-year agreement with the City of Dallas to perform parking management services for the Love Field Airport. This agreement provided for a minimum annual guarantee payment (MAG) to the City. The Company believes that reductions to the number of stalls in the managed parking area that occurred commencing August 4, 2001 and the opening of a new parking area and other actions required adjustment of the agreement, including the amount of the MAG. Although an exchange between the parties took place as to terms of an amendment, no amendment was executed. ABM's parking subsidiary did, however, continue performing parking management services until April 2004, when the agreement was terminated. On July 12, 2004, the City of Dallas filed a complaint in Texas State Court in Dallas alleging a breach of contract by ABM's parking subsidiary for underpayment of the MAG by $1.8 million, and in May 2005 amended that complaint to allege fraud and negligent misrepresentation by ABM's parking subsidiary. The matter is currently in the discovery phase. ABM believes that it acted in good faith and is not liable to the City of Dallas. In order to resolve this dispute, the Company has offered $100,000 in settlement, which it has accrued.

On February 1, 2005, the Office of Federal Contract Compliance Programs (OFCCP), a division of the US Department of Labor, notified ABM's security subsidiary of an alleged violation of federal affirmative action laws based on a statistical hiring disparity (shortfall) between men and women during 2002. (There was no statistically significant shortfall in 2001, or since 2002.) In August 2005, ABM and the OFCCP agreed to settle this claim for $67,000, which the Company accrued as of July 31, 2005.

The Company uses an independent actuary to annually evaluate the Company's estimated claim costs and liabilities. The 2004 actuarial report completed in November 2004 indicated that there were adverse developments in the Company's insurance reserves primarily related to workers' compensation claims in the State of California during the four-year period ended October 31, 2003, for which the Company recorded a charge of $17.2 million in the fourth quarter of 2004. The Company believes a substantial portion of the $17.2 million was related to poor claims management by a third party administrator, who no longer performs these services for the Company. In addition, the Company believes that poor claims administration in certain other states, where it had insurance, led to higher insurance costs for the Company for its damages related to claims mismanagement. On May 11, 2005, the Company filed a complaint against its former third party administrator. The Company is actively pursing this complaint, which will be subject to arbitration.

ABM and some of its subsidiaries have been named defendants in certain other litigation arising in the ordinary course of business. In the opinion of management, based on advice of legal counsel, such

matters should have no material effect on the Company's financial position, results of operations or cash flows.

17. Income Taxes

The effective tax rates for both of the three months ended July 31, 2005 and 2004 were 34.5%, and for the nine months ended July 31, 2005 and 2004 were 31.3% and 35.0%, respectively. A $2.7 million income tax benefit was recorded in the second quarter of 2005 resulting from the favorable settlement of the audit of prior years' state tax returns (tax years 2000 to 2003) in May 2005. An estimated liability was accrued in prior years for the separate income tax returns filed with that state for the years under audit because the intercompany charges were not supported by a recent formal transfer pricing study. The estimated liability was greater than the settlement amount ($4.5 million). The settlement amount was paid in June 2005. Additionally, the income tax provision for continuing operations for the third quarter of 2005 included a tax benefit of $0.3 million principally from adjusting the income tax liability accounts after filing the 2004 income tax returns, while the income tax provision for continuing operations for the third quarter of 2004 included a tax benefit of $0.6 million principally from adjusting the income tax liability accounts after filing the 2003 income tax returns and from filing amended tax returns primarily to claim higher tax credits. The effective tax rate for the first nine months of 2005 reflects a slightly lower estimated state tax rate based on the actual filing of state tax returns for 2004.

18. Subsequent Events

On August 3, 2005, the Company acquired the commercial janitorial cleaning operations in Baltimore, Maryland, of the Northeast United States Division of Initial Contract Services, Inc., a provider of janitorial services based in New York, for approximately $0.35 million in cash. The acquisition includes contracts with key accounts throughout the metropolitan area of Baltimore and represents over $7.0 million in annual contract revenue. Additional consideration may be paid during the subsequent four years based on financial performance of the acquired business.

The Company continues to assess the impact of Hurricane Katrina on its operations. All segments except Engineering provided services in New Orleans with over 600 employees. The Company believes that its supplies in the area were destroyed and that rented office facilities and a warehouse sustained significant flood damage. The Company's property damage and business interruption coverage provides for a deductible of the greater of $0.5 million or 2% of losses. The Sales and operating profits from its New Orleans business for the nine months ended July 31, 2005 were approximately $10.0 million and $0.7 million, respectively. The accounts receivable associated with customers located in New Orleans totaled $1.8 million as of July 31, 2005. The Company is uncertain when it will be able to restore services in New Orleans or what customer demand will be in connection with such resumption. However, the Company does expect to resume services in New Orleans including providing site clean-up services in new construction associated with the return of business and residents to the area.

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

Overview

ABM Industries Incorporated ("ABM") and its subsidiaries (the "Company") provide janitorial, parking, security, engineering and lighting services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities throughout the United States and in British Columbia, Canada. The largest segment of the Company's business is Janitorial which generated over 59% of the Company's sales and other income (hereinafter called "Sales") and over 60% of its operating profit before corporate expenses for the first nine months of 2005. On June 2, 2005, the Company sold substantially all of the operating assets of its wholly owned subsidiary, CommAir Mechanical Services ("Mechanical"), which had provided mechanical operations. The remaining operations were sold on July 31, 2005.

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

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

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

The Company's most recent acquisitions significantly contributed to the growth in Sales and operating profit in the first nine months of 2005 from the same period in 2004. The Company also experienced internal growth in Sales in the first nine months of 2005. Internal growth in Sales represents not only Sales from new customers, but also expanded services or increases in the scope of work for existing customers. In the long run, achieving the desired levels of Sales and profitability will depend on the Company's ability to gain and retain, at acceptable profit margins, more customers than it loses, pass on cost increases to customers, and keep overall costs down to remain competitive, particularly against privately owned companies that typically have the lower cost advantage.

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

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

Liquidity and Capital Resources

(in thousands)	July 31, 2005	October 31, 2004	Change
Cash and cash equivalents	$ 43,202	$ 63,369	$(20,167)
Working capital	$247,278	$230,698	$ 16,580

(in thousands)	Nine Months Ended July 31, 2005	2004	Change
Cash provided by operating activities from continuing operations	$ 14,490	$ 42,233	$(27,743)
Net cash used in investing activities	$ (5,501)	$(55,702)	$ 50,201
Net cash used in financing activities	$(29,528)	$(18,167)	$(11,361)

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. As of July 31, 2005 and October 31, 2004, the Company's cash and cash equivalents totaled $43.2 million and $63.4 million, respectively. The cash balance at July 31, 2005 declined from October 31, 2004 primarily due to $31.3 million cash payments for the purchase of ABM common stock and $14.7 million as the initial installment for the purchase of operations of Colin Service Systems, Inc. ("Colin") acquired on December 22, 2004 and Amguard Security and Patrol Services ("Amguard") acquired on March 1, 2005, offset in part by the $32.3 million cash proceeds from the sales of the Mechanical operating assets in the third quarter of 2005 and cash from operations.

Working Capital. Working capital increased by $16.6 million to $247.3 million at July 31, 2005 from $230.7 million at October 31, 2004 primarily due to the increase in trade accounts receivable, resulting from the increase in Sales and lower collections as a percentage of Sales, and the sales of the Mechanical operating assets, partially offset by the increase in common stock purchases. The largest component of working capital consists of trade accounts receivable, which totaled $350.9 million at July 31, 2005, compared to $307.2 million at October 31, 2004. These amounts were net of allowances for doubtful accounts of $7.5 million and $8.2 million at July 31, 2005 and October 31, 2004, respectively. The decrease in allowance for doubtful accounts is due primarily to the elimination of specific reserves on certain accounts where billing disputes were settled. As of July 31, 2005, accounts receivable that were over 90 days past due had increased $8.5 million to $26.8 million (7.5% of the total outstanding) from $18.3 million (5.8% of the total outstanding) at October 31, 2004. Collection efforts suffered as accounting offices across the Company focused on the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") certification requirements.

Cash Flows from Operating Activities. During the first nine months of 2005 and 2004, operating activities from continuing operations generated net cash of $14.5 million and $42.2 million, respectively. Operating cash from continuing operations decreased in the first nine months of 2005 from the first nine months of 2004 primarily due to slower payments by some large customers in 2005 and a temporary decline in collection efforts, as well as higher income tax payments due to higher estimated taxable income in 2005 and the effect of the timing of other recurring payments.

Cash Flows from Investing Activities. Net cash used in investing activities in the first nine months of 2005 was $5.5 million, compared to $55.7 million in the first nine months of 2004. The decrease was primarily due to the $32.3 million proceeds received from the sales of the operating assets of Mechanical during the third quarter of 2005 (see "Discontinued Operation") and the $22.8 million decrease in the cash used in the purchase of businesses in the first nine months of 2005 compared to the first nine months of 2004, partially offset by higher additions to property, plant and equipment in 2005 mostly invested in communication and information technologies.

Cash Flows from Financing Activities. Net cash used in financing activities was $29.5 million in the first nine months of 2005, while $18.2 million was used in the first nine months of 2004. This was primarily due to higher common stock purchases and dividend payments in the first nine months of 2005, partially offset by more cash generated from the issuance of ABM's common stock under employee stock purchase plans in the first nine months of 2005. The Company purchased 1.6 million shares of ABM's common stock in the first nine months of 2005 at a cost of $31.3 million (an average price per share of $19.57) while 0.6 million shares were purchased in the first nine months of 2004 at a cost of $11.1 million (an average price per share of $18.46). The 1985 employee stock purchase plan terminated upon issuance of all the available shares in November 2003. A new employee stock purchase plan was approved by the stockholders in March 2004 and the first offering period began on August 1, 2004.

Line of Credit. On May 25, 2005, ABM terminated its $250 million three-year syndicated line of credit scheduled to expire on July 1, 2005 (the "old Facility") and replaced the old Facility with a new $300 million five-year syndicated line of credit scheduled to expire on May 25, 2010 (the "new Facility").

Under the new Facility, no compensating balances are required and the interest rate is determined at the time of borrowing based on the London Interbank Offered Rate ("LIBOR") plus a spread of 0.375% to 1.125% or, for overnight loan borrowings, at the prime rate or, for overnight to one week, at the Interbank Offered Rate ("IBOR") plus a spread of 0.375% to 1.125%. The spreads for LIBOR, prime and IBOR borrowings are based on ABM's leverage ratio. The new Facility calls for a non-use fee payable quarterly, in arrears, of 0.125%, based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with ABM's self-insurance program and cash borrowings are considered to be outstanding amounts. As of July 31, 2005 and October 31, 2004, the total outstanding amounts under the applicable Facility were $91.6 million and $96.5 million, respectively, in the form of standby letters of credit. The Company was in compliance with all covenants at those dates.

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

Cash Requirements

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements for various facilities, vehicles and other equipment. As of July 31, 2005, future contractual payments were as follows:

(in thousands)	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating Leases	$177,073	$43,817	$58,291	$31,362	$43,603

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

(in thousands)	Amounts of Commitment Expiration Per Period				
Commercial Commitments	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Standby Letters of Credit	$ 91,633	$ 91,633	—	—	—
Surety Bonds	58,350	47,197	$11,132	$ 21	—
Total	$149,983	$138,830	$11,132	$ 21	—

(in thousands)	Payments Due By Period				
Other Long-Term Liabilities	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Retirement Plans	$41,453	$ 2,194	$ 5,118	$ 5,103	$29,038

The Company uses surety bonds, principally performance and payment bonds, to guarantee performance under various customer contracts in the normal course of business. These bonds typically remain in force for one to five years and may include optional renewal periods. At July 31, 2005,

outstanding surety bonds totaled approximately $58.4 million. The Company does not believe these bonds will be required to be drawn upon.

Not included in the retirement plans in the table above are union-sponsored multi-employer defined benefit plans under which certain union employees of the Company are covered. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. Contributions paid for these plans were $26.1 million and $24.2 million in the nine months ended July 31, 2005 and 2004, respectively.

The Company self-insures certain insurable risks such as general liability, automobile, property damage, and workers' compensation. Commercial policies are obtained to provide for $150.0 million of coverage for certain risk exposures above the self-insured retention limits (*i.e.*, deductibles). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from $0.5 million (inclusive of legal fees) to $1.0 million (exclusive of legal fees) except for the California workers' compensation insurance which increased to $2.0 million effective April 14, 2003. However, effective April 14, 2005, the deductible for California workers' compensation insurance decreased from $2.0 million to $1.0 million per occurrence, plus an additional $1.0 million annually in the aggregate, due to improvements in general insurance market conditions. The estimated liability for claims incurred but unpaid at July 31, 2005 and October 31, 2004 was $193.6 million and $187.9 million, respectively.

The self-insurance claims paid in the first nine months of 2005 and 2004 were $45.8 million and $44.8 million, respectively. Claim payments vary based on the frequency and/or severity of claims incurred and timing of the settlements and therefore may have an uneven impact on the Company's cash balances.

In connection with the gender discrimination lawsuit against ABM in the state of Washington in the case named *Forbes v. ABM*, the Company and the plaintiff have agreed to settle the claim for $5.0 million, which the Company expects to pay in the fourth quarter of 2005. See Note 16 of Notes to Consolidated Financial Statements.

The Company has begun the process of installing a Voice over Internet Protocol ("VoIP") technology that will allow the entire Company to make telephone calls using the Company's private network instead of a regular (or analog) phone line. The VoIP project is estimated to cost $7.4 million and is expected to be completed before the end of this fiscal year.

The Company has no other significant commitments for capital expenditures and believes that the current cash and cash equivalents, cash generated from operations and the new Facility will be sufficient to meet the Company's cash requirements for the long term.

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

The Company had commercial insurance policies covering business interruption, property damage and other losses related to the World Trade Center ("WTC") complex in New York, which was the Company's largest single job-site with annual Sales of approximately $75.0 million (3% of the Company's consolidated Sales for 2001). As of October 31, 2004, Zurich Insurance ("Zurich") had paid partial settlements totaling $13.8 million, of which $10.0 million was for business interruption and $3.8 million for property damage, which substantially settled the property portion of the claim. The Company realized a pre-tax gain of $10.0 million in 2002 on the proceeds received.

In December 2001, Zurich filed a Declaratory Judgment Action in the Southern District of New York claiming the loss of the business profit falls under the policy's contingent business interruption sub-limit of $10.0 million. On June 2, 2003, the court ruled on certain summary judgment motions in favor of Zurich. Thereafter, the Company appealed the court's rulings.

On February 9, 2005, the United States Court of Appeals for the Second Circuit granted summary judgment in favor of ABM on the Company's insurance claims for business interruption losses resulting from the WTC terrorist attack. The Court also ruled that ABM is entitled to recovery for the extra expenses the Company incurred after September 11, 2001, which include millions of dollars related to increased unemployment claims and costs associated with the redeployment of WTC personnel at other facilities. The Court rejected the arguments of Zurich to limit the Company's business interruption coverage and returned the case to the Southern District of New York for determination of appropriate additional compensation under the policy. ABM will continue to pursue its claims against Zurich. Under the policy, coverage for business interruption and other related losses is capped at $127.4 million. ABM believes its losses exceed $100.0 million, of which the $10.0 million described above has been paid under the contingent business interruption sub-limit.

On February 24, 2005, Zurich filed a motion to have its appeal heard by the Second Circuit Court of Appeals sitting en banc. Zurich's motion was denied on June 27, 2005, and this matter will return to the district court for a trial on the amount of ABM's losses.

On March 30, 2005, the Company signed the Sworn Statement in Proof of Loss which entitled the Company to receive an indemnity payment from Zurich of $1.5 million, representing the Company's recovery of certain accounts receivable from customers that cannot be collected due to loss of paperwork in the destruction of WTC, additional claimed business personal property and business income loss. On May 9, 2005, this indemnity payment was received. The Company realized a pre-tax gain of $1.2 million on this indemnity payment in the second quarter of 2005. An additional $1.5 million in accounts receivable losses remain in dispute, and negotiations are ongoing.

Under Emerging Issues Task Force ("EITF") Issue No. 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001," the Company has not recognized future amounts it expects to recover from its business interruption insurance as income. Any gain from insurance proceeds is considered a contingent gain and, under Statement of Financial Accounting Standard ("SFAS") No. 5, "Accounting for Contingencies," can only be recognized as income in the period when any and all contingencies for that portion of the insurance claim have been resolved.

Environmental Matters

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

The Company is currently involved in three environmental matters: one involving alleged potential soil contamination at a former Company facility in Arizona, one involving alleged potential soil and groundwater contamination at a Company facility in Florida, and one involving an alleged de minimis contribution to a landfill in Southern California. 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, results of operations, or cash flows. As any liability related to these matters is neither probable nor estimable, no accruals have been made related to these matters.

Off-Balance Sheet Arrangements

The Company is party to a variety of contractual agreements under which it may be obligated to indemnify the other party for certain matters. Primarily, these agreements are standard indemnification arrangements in its ordinary course of business. Pursuant to these arrangements, the Company may

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

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

Acquisitions and Dispositions

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. Acquisitions made during the nine-month periods ended July 31, 2005 and 2004 are discussed in Note 9 of Notes to Consolidated Financial Statements.

As a result of the Company's sale of substantially all of the operating assets of Mechanical, the assets and liabilities of Mechanical in the prior period financials have been segregated and classified as held for sale and the operating results and cash flows have been reported as discontinued operation in the accompanying consolidated financial statements. Income taxes have been allocated using the estimated combined federal and state tax rates applicable to Mechanical for each of the periods presented. The prior periods presented have been reclassified. See the discussion of discontinued operations below and in Note 10 of Notes to Consolidated Financial Statements.

Results of Continuing Operations

Three Months Ended July 31, 2005 vs. Three Months Ended July 31, 2004

($ in thousands)	Three Months Ended July 31, 2005	% of Sales	Three Months Ended July 31, 2004 As Restated *	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	$650,140	100.0%	$612,797	100.0%	6.1%
Gain on insurance claim	—	—	—	—	—
Total revenues	650,140	—	612,797	—	6.1%
Expenses					
Operating expenses and cost of goods sold	570,959	87.8%	547,891	89.4%	4.2%
Selling, general and administrative	44,417	6.8%	43,683	7.1%	1.7%
Intangible amortization	1,430	0.2%	1,294	0.2%	10.5%
Interest	220	—	255	—	—
Total expenses	617,026	94.9%	593,123	96.8%	4.0%
Income from continuing operations before income taxes	33,114	5.1%	19,674	3.2%	68.3%
Income taxes	11,422	1.8%	6,778	1.1%	68.5%
Income from continuing operations	$ 21,692	3.3%	$ 12,896	2.1%	68.2%

* See Note 2 of Notes to Consolidated Financial Statements.

Income from continuing operations. Income from continuing operations for the third quarter of 2005 increased 68.2% to $21.7 million ($0.43 per diluted share) from $12.9 million ($0.25 per diluted share) for the third quarter of 2004. The increase was primarily due to a $9.0 million ($5.5 million after- tax, $0.11 per diluted share) benefit from the reduction of the Company's self-insurance reserves described below. Even without the effect of the favorable insurance adjustment, all operating segments showed improvement in operating income from the third quarter of 2004. In addition, in the third quarter of 2005, the *Forbes v. ABM* case was settled at $5.0 million, $1.3 million lower than the amount accrued. Partially offsetting these improvements were higher costs related to Sarbanes-Oxley certification effort.

The 2005 actuarial report covering substantially all of the Company's self-insurance reserves was completed in the third quarter of 2005. The report showed favorable developments in the Company's California workers' compensation and general and auto liability claims, offset in part by adverse development in the Company's workers' compensation claims outside of California, in each case as of May 1, 2005. The net favorable development required the Company to reduce its self-insurance reserve by $9.0 million. Of the $9.0 million, $5.5 million was attributable to reserves for 2004 and prior years, of which $1.4 million was attributable to a correction of an overstatement of reserves at October 31, 2004, while $3.5 million was a reduction of the insurance provision for the first six months of 2005. The $5.5 million was recorded by Corporate while the $3.5 million was allocated to the operating segments. Excluding the $9.0 million benefit, the total insurance expense recorded by the operating segments for the third quarter of 2005 was flat compared to the third quarter of 2004 except for the additional insurance expense attributable to acquisitions.

Sales and Other Income. Sales for the third quarter of 2005 of $650.1 million increased by $37.3 million or 6.1% from $612.8 million for the third quarter of 2004. Acquisitions completed in fiscal year 2004 and the nine months ended July 31, 2005 contributed $21.8 million to the Sales increase. The remainder of the Sales increase was primarily due to new business in all operating segments, except Lighting, as well as the expansion of services with existing Janitorial and Engineering customers.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit (Sales minus operating expenses and cost of goods sold) was 12.2% for the third quarter of 2005 compared to 10.6% for the third quarter of 2004. The increase in margins was primarily due to the $9.0 million benefit from the reduction of the Company's self-insurance reserves, partially offset by higher reimbursements for

out-of-pocket expenses from existing managed parking lot clients for which Parking had no margin benefit.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the third quarter of 2005 were $44.4 million, compared to $43.7 million for the third quarter of 2004. The increase was primarily due to higher costs related to Sarbanes-Oxley compliance, specifically, $3.5 million higher professional fees related to the compliance effort, and annual salary increases. Partially offsetting the increase was the $1.3 million decrease in the liability accrued for the *Forbes v. ABM* case.

Intangible Amortization. Intangible amortization was $1.4 million for the third quarter of 2005 compared to $1.3 million for the third quarter of 2004. The higher amortization was due to intangibles acquired in business combinations completed in fiscal year 2004 and nine months ended July 31, 2005, partially offset by lower amortization on acquisitions completed in fiscal year 2003 resulting from the use of sum-of-the-years-digits method for customer relationship intangible assets.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was flat between the third quarter of 2005 and the third quarter of 2004.

Income Taxes. The effective tax rate was 34.5% for the third quarter of 2005 and for the third quarter of 2004. The income tax provision for continuing operations for the third quarter of 2005 included a tax benefit of $0.3 million principally from adjusting the income tax liability accounts after filing the 2004 income tax returns, while the income tax provision for continuing operations for the third quarter of 2004 included a tax benefit of $0.6 million principally from adjusting the income tax liability accounts after filing the 2003 income tax returns and from filing amended tax returns primarily to claim higher tax credits. The effective tax rate for the third quarter of 2005 reflects a slightly lower estimated state tax rate based on the actual filing of state tax returns for 2004.

Segment Information. Under the criteria of SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information,” Janitorial, Parking, Security, Engineering, and Lighting are reportable segments. On November 1, 2004, Facility Services merged with Engineering. The operating results of Facility Services for the prior period has been reclassified to Engineering from the Other segment for comparative purposes. The operating results of Mechanical, also previously included in the Other segment, are reported separately under discontinued operations and are excluded from the table below. See Discontinued Operations. As a result of the reclassifications of Facility Services and Mechanical, the Other segment no longer exists. Corporate expenses are not allocated.

($ in thousands)	Three Months Ended July 31, 2005	2004	Better (Worse)
		As Restated *	
Sales and other income			
Janitorial	$384,381	$367,539	4.6%
Parking	102,767	97,856	5.0%
Security	74,702	65,012	14.9%
Engineering	60,882	54,296	12.1%
Lighting	26,877	27,510	(2.3)%
Corporate	531	584	(9.1)%
	$650,140	$612,797	6.1%
Operating profit			
Janitorial	$ 25,165	$ 17,867	40.8%
Parking	4,079	3,458	18.0%
Security	4,302	2,594	65.8%
Engineering	4,146	3,274	26.6%
Lighting	927	442	109.7%
Corporate	(5,285)	(7,706)	31.4%
Operating profit	33,334	19,929	67.3%
Interest expense	(220)	(255)	13.7%
Income from continuing operations before income taxes	$ 33,114	$ 19,674	68.3%

* See Note 2 of Notes to Consolidated Financial Statements.

The results of operations from the Company's segments for the quarter ended July 31, 2005, compared to the same period in 2004, are more fully described below.

Janitorial. Sales for Janitorial increased by $16.8 million, or 4.6%, during the third quarter of 2005 compared to the same period in 2004. The Initial Contract Services, Inc. ("Initial") and Colin acquisitions contributed $14.2 million to the increase in Sales. Sales increased in the Mid-Atlantic, Midwest, Northern California and Northwest regions due to new business, expansion of services to existing customers and price adjustments to pass through a portion of union cost increases. The increases were partially offset by reductions in Sales from lost accounts in the Northeast, Southeast and Southwest regions.

Operating profit increased by $7.3 million, or 40.8%, during third quarter 2005 compared to the same period in 2004. Operating profit for the third quarter of 2005 included $2.2 million benefit from the reduction of insurance expense for the first six months of 2005 due to the favorable development in the Company's self-insured claims. The final settlement of the *Forbes v. ABM* case resulted in a $1.3 million reduction in liability previously recorded in the second quarter of 2005. The remainder of the operating profit improvement was due to higher tag sales, which provided better margins, and tight control of labor costs particularly in the Southwest and Northeast regions.

Parking. Parking Sales increased $4.9 million or 5.0%, during the third quarter of 2005 compared to the same period in 2004. Of the $4.9 million Sales increase, $3.3 million represented higher reimbursements for out-of pocket expenses from managed parking lot clients for which Parking had no margin benefit. New contracts and increased traffic at airport locations contributed the remainder of the Sales increase. Operating profit increased $0.6 million or 18.0% during the third quarter of 2005 compared to the third quarter of 2004. Operating profit for the third quarter of 2005 included a $0.3 million benefit from the reduction of insurance expense for the first six months of 2005 due to the favorable development in the Company's self-insured claims. The remainder of the operating profit increase was primarily due to new contracts, the termination of unprofitable contracts, higher margins on renegotiated contracts, as well as improvements at airport locations due to increased air traffic across the country. The

cost of implementing a new revenue reporting system and a settlement of a billing dispute in the Northwest region significantly offset these improvements.

Security. Security Sales increased $9.7 million, or 14.9%, during the third quarter of 2005 compared to the third quarter of 2004 primarily due to the Security Services of America, LLC ("SSA"), Sentinel Guard Systems ("Sentinel") and Amguard acquisitions, which contributed $7.6 million to the Sales increase, and new business, partially offset by the loss of a major contract in Seattle at the end of June 2005. Operating profits increased $1.7 million, or 65.8%, due to the $1.0 million profit contribution from SSA, Sentinel and Amguard. In addition, operating profit for the third quarter of 2005 included a $0.5 million benefit from the reduction of insurance expense for the first six months of 2005 due to the favorable development in the Company's self-insured claims.

Engineering. Sales for Engineering increased $6.6 million, or 12.1%, during the third quarter of 2005 compared to the third quarter of 2004 due to successful sales initiatives resulting in new business and the expansion of services to existing customers across the country. Operating profits increased $0.9 million, or 26.6%, during 2005 compared to 2004 primarily due to higher Sales. In addition, operating profit for the third quarter of 2005 included a $0.3 million benefit from the reduction of insurance expense for the first six months of 2005 due to the favorable development in the Company's self-insured claims. A settlement of an employee claim partially offset these improvements.

Lighting. Lighting Sales decreased $0.6 million or 2.3%, while operating profit increased $0.5 million, or 109.7% during the third quarter of 2005 compared to the third quarter of 2004. The Sales decrease was primarily due to decreased project business and lost service contracts. Operating profit for the third quarter of 2005 included a $0.2 million benefit from the reduction of insurance expense for the first six months of 2005 due to the favorable development in the Company's self-insured claims and a $0.3 million reduction of bad debt expense related to specific accounts that are no longer required.

Corporate. Corporate expenses for the third quarter of 2005 decreased by $2.4 million or 31.4% compared to the same period of 2004 mainly due to the $5.5 million benefit from the favorable development in the Company's California workers' compensation and general liability claims attributable to prior years. While virtually all insurance claims arise from the operating segments, this adjustment is included in unallocated corporate expenses. Had the Company allocated this insurance adjustment among the operating segments, the reported pre-tax operating profits of the operating segments, as a whole, would have been increased by $5.5 million in the third quarter of 2005, with an equal and offsetting change to unallocated Corporate expenses and therefore no change to consolidated pre-tax earnings for the third quarter of 2005.

Costs related to Sarbanes-Oxley compliance, specifically, professional fees related to the certification effort were $3.7 million and $0.2 million in the third quarter of 2005 and 2004, respectively.

Nine Months Ended July 31, 2005 vs. Nine Months Ended July 31, 2004

($ in thousands)	Nine Months Ended July 31, 2005	% of Sales	Nine Months Ended July 31, 2004 As Restated *	% of Sales	Increase (Decrease)
Revenues					
Sales and other income	$1,927,860	100.0%	$1,755,355	100.0%	9.8%
Gain on insurance claim	1,195	—	—	—	—
Total revenues	1,929,055	—	1,755,355	—	9.9%
Expenses					
Operating expenses and cost of goods sold	1,726,542	89.6%	1,585,606	90.3%	8.9%
Selling, general and administrative	139,455	7.2%	125,240	7.1%	11.4%
Intangible amortization	4,264	0.2%	3,239	0.2%	31.6%
Interest	713	—	746	—	-4.4%
Total expenses	1,870,974	97.0%	1,714,831	97.7%	9.1%
Income from continuing operations before income taxes	58,081	3.0%	40,524	2.3%	43.3%
Income taxes	18,202	0.9%	14,196	0.8%	28.2%
Income from continuing operations	$ 39,879	2.1%	$ 26,328	1.5%	51.5%

* See Note 2 of Notes to Consolidated Financial Statements.

Income from continuing operations. Income from continuing operations for the first nine months of 2005 increased 51.5% to $39.9 million ($0.79 per diluted share) from $26.3 million ($0.53 per diluted share) for the first nine months of 2004. All operating segments showed improvement in operating income. Additionally, income from continuing operations for the first nine months of 2005 included the $5.5 million ($3.4 million after-tax, $0.07 per diluted share) benefit from the reduction of the Company's self-insurance reserves, $2.7 million of income tax benefit resulting from a state tax audit settlement and $1.2 million of pre-tax gain on the WTC indemnity payment. These positive developments were partially offset by the $5.0 million pre-tax charge to settle *Forbes v. ABM* and higher costs related to the Sarbanes-Oxley certification effort.

Sales and Other Income. Sales for the first nine months of 2005 of $1,927.9 million increased by $172.5 million or 9.8% from $1,755.4 million for the first nine months of 2004. Acquisitions completed in fiscal year 2004 and the nine months ended July 31, 2005 contributed $104.1 million to the Sales increase. The remainder of the Sales increase was primarily due to new business in all operating segments, as well as the expansion of services with existing Janitorial and Engineering customers.

Operating Expenses and Cost of Goods Sold. As a percentage of Sales, gross profit (Sales minus operating expenses and cost of goods sold) was 10.4% for the first nine months of 2005 compared to 9.7% for the first nine months of 2004. The increase in margins was primarily due to the $5.5 million benefit from the reduction of the Company's self-insurance reserves, higher margin contributions from the Security acquisitions completed in 2004 and the first nine months of 2005, termination of unprofitable contracts and favorably renegotiated contracts at Parking, and higher tag sales which provided higher margins in the Northeast region of Janitorial, partially offset by higher reimbursements for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit. The total insurance expense recorded by the operating segments for the first nine months of 2005 was flat compared to the first nine months of 2004 except for the additional insurance expense attributable to acquisitions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the first nine months of 2005 were $139.5 million, compared to $125.2 million for the first nine months of 2004. The increase was primarily due to the $5.0 million charge taken by Janitorial to settle *Forbes v. ABM* in the first nine months of 2005, higher costs related to Sarbanes-Oxley compliance,

specifically, $4.7 million higher professional fees related to the compliance effort, as well as annual salary increases, and $3.6 million in selling, general and administrative expenses attributable to the acquisitions completed in 2004 and the first nine months of 2005. These increases were partially offset by the decrease in bad debt expense primarily because of the elimination of specific reserves on customer accounts where billing disputes have been settled.

Intangible Amortization. Intangible amortization was $4.3 million for the first nine months of 2005 compared to $3.2 million for the first nine months of 2004. The higher amortization was due to intangibles acquired in business combinations completed in fiscal year 2004 and nine months ended July 31, 2005, partially offset by lower amortization on acquisitions completed in fiscal year 2003 resulting from the use of sum-of-the-years-digits method for customer relationship intangible assets.

Interest Expense. Interest expense, which includes loan amortization and commitment fees for the revolving credit facility, was flat between the first nine months of 2005 and the first nine months of 2004.

Income Taxes. The effective tax rate was 31.3% for the first nine months of 2005, compared to 35.0% for the first nine months of 2004. A $2.7 million income tax benefit was recorded in the second quarter of 2005 resulting from the favorable settlement of the audit of prior years' state tax returns (tax years 2000 to 2003) in May 2005. An estimated liability was accrued in prior years for the separate income tax returns filed with that state for the years under audit because the intercompany charges were not supported by a recent formal transfer pricing study. The estimated liability was greater than the settlement amount. Additionally, the income tax provision for continuing operations for the third quarter of 2005 included a tax benefit of $0.3 million principally from adjusting the income tax liability accounts after filing the 2004 income tax returns, while the income tax provision for continuing operations for the third quarter of 2004 included a tax benefit of $0.6 million principally from adjusting the income tax liability accounts after filing the 2003 income tax returns and from filing amended tax returns primarily to claim higher tax credits. The effective tax rate for the first nine months of 2005 reflects a slightly lower estimated state tax rate based on the actual filing of state tax returns for 2004.

Segment Information. The results for continuing operations by segment for the nine months ended July 31, 2005 and 2004 are shown below.

($ in thousands)	Nine Months Ended July 31, 2005	2004	Better (Worse)
		As Restated *	
Sales and other income			
Janitorial	$1,141,961	$1,073,475	6.4%
Parking	303,073	285,384	6.2%
Security	220,465	157,986	39.5%
Engineering	176,057	154,415	14.0%
Lighting	85,080	83,060	2.4%
Corporate	1,224	1,035	18.3%
	$1,927,860	$1,755,355	9.8%
Operating profit			
Janitorial	$ 47,795	$ 41,666	14.7%
Parking	8,915	6,269	42.2%
Security	9,756	5,787	68.6%
Engineering	10,327	8,691	18.8%
Lighting	2,421	1,726	40.3%
Corporate	(21,615)	(22,869)	5.5%
Operating profit	57,599	41,270	39.6%
Gain on insurance claim	1,195	—	—
Interest expense	(713)	(746)	4.4%
Income from continuing operations before income taxes	$ 58,081	$ 40,524	43.3%

* See Note 2 of Notes to Consolidated Financial Statements.

The results of operations from the Company's segments for the nine months ended July 31, 2005, compared to the same period in 2004, are more fully described below.

Janitorial. Sales for Janitorial increased by $68.5 million, or 6.4% for the first nine months of 2005 compared to the same period in 2004. The Initial and Colin acquisitions contributed $49.6 million to the increase in Sales. Sales increased in the Mid-Atlantic, Midwest, Northern California, Northwest and South Central regions due to new business, expansion of services to existing customers and price adjustments to pass through a portion of union cost increases. The increases were partially offset by reductions in Sales from lost accounts in the Northeast and Southeast regions.

Operating profit increased by $6.1 million, or 14.7%, during the first nine months of 2005 compared to the same period in 2004. The increase was primarily due to the operating profit improvements in the majority of the regions and $1.2 million operating profit contribution from the Initial and Colin acquisitions. These positive developments were partially offset by the $5.0 million charge to settle *Forbes v. ABM* and increases in workers' compensation insurance costs that were not fully absorbed by price adjustments in the Northern California region.

Of the regions that showed operating profit improvement, the Northeast region showed the most improvement with its operating loss down by $3.9 million in the first nine months of 2005 compared to 2004 due to higher tag sales, which provided higher margins, tight control of labor cost especially in Manhattan, higher prices on some renegotiated contracts, lower bad debt expense and the impact of acquisitions. The other regions showed operating profit improvement primarily due to higher Sales and higher margins on existing jobs resulting from lower costs.

Parking. Parking Sales increased $17.7 million, or 6.2%, while operating profit increased $2.6 million, or 42.2%, during the first nine months of 2005 compared to the first nine months of 2004. Of the $17.7 million Sales increase, $11.8 million represented higher reimbursements for out-of-pocket expenses from managed parking lot clients for which Parking had no margin benefit. New contracts and increased

traffic at airport locations contributed to the remainder of the Sales increase. The increase in operating profits resulted from new contracts, the termination of unprofitable contracts, higher margins on renegotiated contracts as well as improvements at airport locations due to increased air traffic across the country. The cost of implementing a new revenue reporting system and a settlement of a billing dispute in the Northwest region partially offset these improvements.

Security. Security Sales increased $62.5 million, or 39.5%, during the first nine months of 2005 compared to the first nine months of 2004 primarily due to the SSA, Sentinel and Amguard acquisitions, which contributed $54.5 million to the Sales increase. The remainder of the Sales increase is attributable to the net effect of new business, including major contracts awarded in the third quarter of 2004. Operating profits increased $4.0 million, or 68.6%, primarily due to the $3.3 million profit contribution from SSA, Sentinel and Amguard and the net effect of new business, offset by a $0.4 million bad debt provision for a customer which declared bankruptcy in April 2005.

Engineering. Sales for Engineering increased $21.6 million, or 14.0%, during the first nine months of 2005 compared to the first nine months of 2004 due to successful sales initiatives resulting in new business and the expansion of services to existing customers across the country, mostly in the Southern California, Northern California and Eastern regions. Operating profits increased $1.6 million or 18.8%, during 2005 compared to 2004 primarily due to higher Sales. Higher state unemployment insurance expense in California and settlement of an employee claim partially offset these improvements.

Lighting. Lighting Sales increased $2.0 million, or 2.4%, while operating profit increased $0.7 million or 40.3% during the first nine months of 2005 compared to the first nine months of 2004. The growth in Sales was primarily due to increased project and service business in the Southwest and Northwest regions, offset by a decrease in project business in the Northcentral region and lost service contracts. The increase in operating profit was primarily due to increased Sales and a $0.3 million reduction of bad debt expense related to specific accounts that are no longer required, partially offset by increased costs associated with an expanded sales force and Sarbanes-Oxley compliance.

Corporate. Corporate expenses for the first nine months of 2005 decreased by $1.3 million or 5.5% compared to the same period of 2004 mainly due to the $5.5 million benefit from the favorable development of the Company's California workers' compensation and general liability claims attributable to prior years. While virtually all insurance claims arise from the operating segments, this adjustment is included in unallocated corporate expenses. Had the Company allocated this insurance adjustment among the operating segments, the reported pre-tax operating profits of the operating segments, as a whole, would have been increased by $5.5 million in the first nine months of 2005, with an equal and offsetting change to unallocated Corporate expenses and therefore no change to consolidated pre-tax earnings for the first nine months of 2005.

Costs related to Sarbanes-Oxley compliance, specifically, professional fees related to the certification effort were $5.0 million and $0.3 million in the first nine months of 2005 and 2004, respectively.

Discontinued Operations

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

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

On August 15, 2003, the Company sold substantially all of the operating assets of Amtech Elevator Services, Inc. ("Elevator"), a wholly owned subsidiary of ABM that represented the Company's Elevator segment, to Otis Elevator Company, a wholly owned subsidiary of United Technologies Corporation ("Otis Elevator"). The operating assets sold included customer contracts, accounts receivable, facility leases and other assets, as well as a perpetual license to the name "Amtech Elevator Services." The consideration in connection with the sale included $112.4 million in cash and Otis Elevator's assumption of trade payables and accrued liabilities. In fiscal 2003, the Company realized a gain on the sale of $52.7 million, which was net of $32.7 million of income taxes, of which $30.5 million was paid with the extension of the federal and state income tax returns on January 15, 2004. This payment has been reported as discontinued operation in the accompanying consolidated statements of cash flows. Income taxes on the gain on sale of discontinued operation for the third quarter of 2005 included a $0.9 million benefit from the correction of the overstatement of income taxes provided for the Elevator gain. The overstatement was related to the incorrect treatment of goodwill associated with assets acquired by Elevator in 1985.

In June 2005, the Company settled litigation that arose from and was directly related to the operations of Elevator prior to its disposal. An estimated liability was recorded on the date of disposal. The settlement amount was less than the estimated liability by $0.2 million, pre-tax. This difference was recorded as income from discontinued operation in the second quarter of 2005.

The operating results of Mechanical for the three and nine months ended July 31, 2005 and 2004 and the Elevator adjustments are shown below. Operating results for 2005 for the portion of Mechanical's business sold to Carrier are for the periods beginning May 1, 2005 and November 1, 2004, respectively, through the date of sale, June 2, 2005. Operating results for 2005 for Mechanical's water treatment business are for the full three and nine months periods.

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In thousands)	2005	2004	2005	2004
Revenues	$ 4,472	$10,976	$24,775	$29,586
Income (loss) before income taxes	$ (21)	$ 414	$ 383	$ 815
Income taxes	(6)	162	150	320
Income (loss) from discontinued operation, net of income taxes	$ (15)	$ 252	$ 233	$ 495

Subsequent Events

On August 3, 2005, the Company acquired the commercial janitorial cleaning operations in Baltimore, Maryland, of the Northeast United States Division of Initial Contract Services, Inc., a provider of janitorial services based in New York, for approximately $0.35 million in cash. The acquisition includes contracts with key accounts throughout the metropolitan area of Baltimore and represents over $7.0 million in annual contract revenue. Additional consideration may be paid during the subsequent four years based on financial performance of the acquired business.

The Company continues to assess the impact of Hurricane Katrina on its operations. All segments except Engineering provided services in New Orleans with over 600 employees. The Company believes that its supplies in the area were destroyed and that rented office facilities and a warehouse sustained significant flood damage. The Company's property damage and business interruption coverage provides for a deductible of the greater of $0.5 million or 2% of losses. The Sales and operating profits from its

New Orleans business for the nine months ended July 31, 2005 were approximately $10.0 million and $0.7 million, respectively. The accounts receivable associated with customers located in New Orleans totaled $1.8 million as of July 31, 2005. The Company is uncertain when it will be able to restore services in New Orleans or what customer demand will be in connection with such resumption. However, the Company does expect to resume services in New Orleans, including providing site clean-up services in new construction associated with the return of business and residents to the area.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123R, "Share-Based Payment." This statement is a revision to SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service. SFAS No. 123R is effective as of the beginning of the annual reporting period that begins after June 15, 2005. In accordance with the standard, the Company will adopt SFAS No. 123R effective November 1, 2005. The Company believes that the impact that the adoption of SFAS No. 123R will have on its financial position or results of operations will approximate the magnitude of the stock-based employee compensation costs disclosed above pursuant to the disclosure requirements of SFAS No. 148. (See Note 4 of Notes to Consolidated Financial Statements.)

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

In June 2005, the EITF ratified their conclusions on EITF Issue No. 05-6, "Determining the Amortization Period for Leasehold Improvements". This EITF clarifies the life assigned to leasehold improvements acquired in a business combination and leasehold improvements that are placed in service significantly after and not contemplated at or near the beginning of the lease term. For leasehold improvements acquired in a business combination, amortization should be over the shorter of the useful life of the assets or a term that includes required lease periods and renewals that are deemed to be reasonably assured at the date of acquisition. Leasehold improvements that are placed in service significantly after and not contemplated at or near the beginning of the lease term should be amortized over the shorter of the useful life of the assets or a term that includes lease periods and renewals that are deemed to be reasonably assured at the date the leasehold improvements are purchased. This is effective for all leasehold improvements purchased or acquired beginning in the fiscal 4th quarter of 2005 for the Company. The Company does not believe the application of the guidance in EITF Issue No. 05-6 will have a significant impact on its financial statements.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, valuation allowance for the net deferred income tax asset, estimate of useful life of intangible assets, impairment of goodwill and other intangibles, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, independent valuations and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates.

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

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

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

Allowance for Doubtful Accounts. The Company's accounts receivable arise from services provided to its customers and are generally due and payable on terms varying from the receipt of invoice to net thirty days. The Company estimates an allowance for accounts it does not consider fully collectible. Changes in the financial condition of the customer or adverse development in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance.

Deferred Income Tax Asset Valuation Allowance. Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. If management determines it is more likely than not that the net deferred tax asset will be realized, no valuation allowance is recorded. At July 31, 2005, the net deferred tax asset was $87.3 million and no valuation allowance was recorded. Should future income be less than anticipated, the net deferred tax asset may not be fully recoverable.

Other Intangible Assets Other Than Goodwill. The Company engages a third party valuation firm to independently appraise the value of intangible assets acquired in larger sized business combinations. For smaller acquisitions, the Company performs an internal valuation of the intangible assets using the discounted cash flow technique. The customer relationship intangible assets are being amortized using the sum-of-the-years-digits method over the useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible asset are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Other intangible assets, consisting principally of contract rights, are

being amortized over the contract periods using the straight-line method. At least annually, the Company evaluates the remaining useful life of an intangible asset to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of the asset's remaining useful life changes, the remaining carrying amount of the intangible asset would be amortized over the revised remaining useful life. Furthermore, the remaining unamortized book value of intangibles will be reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." The first step of an impairment test under SFAS No. 144 is a comparison of the future cash flows, undiscounted, to the remaining book value of the intangible. If the future cash flows are insufficient to recover the remaining book value, a fair value of the asset, depending on its size, will be independently or internally determined and compared to the book value to determine if an impairment exists.

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

Contingencies and Litigation. ABM and certain of its subsidiaries have been named defendants in certain litigations arising in the ordinary course of business including certain environmental matters. When a loss is probable and estimable the Company records the estimated loss. The actual loss may be greater than estimated, or litigation where the outcome was not considered probable might result in a loss.

Factors That May Affect Future Results
(Cautionary Statements Under the Private Securities Litigation Reform Act of 1995)

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

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

Adverse results from the evaluation of internal control over financial reporting under Section 404 of Sarbanes-Oxley could result in a loss of investor confidence in the Company's financial reports and have an adverse effect on the Company's stock price. Pursuant to Section 404 of Sarbanes-Oxley, beginning with the Company's Annual Report on Form 10-K for the fiscal year ending October 31, 2005, management will be required to furnish a report on the Company's internal control over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of the Company's internal control over financial reporting as of the end of its fiscal year, including a statement as to whether or not the Company's internal control over financial reporting is effective. This assessment must include disclosure of any material weakness in internal control over financial reporting

identified by management. The Company's auditors also will be required to deliver an attestation report on management's assessment of and operating effectiveness of such internal control.

In the course of management's ongoing system and process evaluation and testing of internal controls, management identified areas of internal control over financial reporting that required improvement, particularly in the information technology environment, Lighting inventory controls, and Parking cash management. Management continues the process documentation, evaluation and remediation needed to comply with Section 404 and certain aspects of that work are behind schedule. The timely and successful completion of management's assessment of the effectiveness of the internal control over financial reporting under Section 404 is one of the Company's highest priorities. However, the Company's further testing, or the subsequent testing by its independent registered public accounting firm, may reveal deficiencies in the Company's internal controls over financial reporting that are deemed to be material weaknesses.

If management is unable to assert that internal control over financial reporting is effective as of October 31, 2005 (or if the Company's auditors are unable to attest that management's report is fairly stated or they are unable to express an opinion on the effectiveness of the Company's internal control over financial reporting), the Company could lose investor confidence in the accuracy and completeness of its financial reports, which would be likely to have an adverse effect on the Company's stock price. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm operating results or cause the Company to fail to timely meet regulatory reporting obligations or become subject to regulatory sanctions.

The Company incurs significant accounting and other control costs, which could increase. As a publicly traded corporation, the Company incurs certain costs to comply with regulatory requirements. The process of meeting the requirements of Section 404 has been more costly than anticipated, requiring additional personnel and outside advisory services as well as additional accounting and legal expenses. The Company will continue to incur these costs for the remainder of 2005 and in early 2006 and the fees, particularly those associated with its independent auditor, could increase. In addition, the Company is experiencing higher-than-anticipated capital expenditures and operating expenses during the implementation of Section 404 compliance related changes.

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

The Company could experience labor disputes that could lead to loss of sales or expense variations. At July 31, 2005, approximately 42% of the Company's employees were subject to various local collective bargaining agreements. Some collective bargaining agreements will expire or become subject to renegotiation during the current fiscal year. In addition, the Company may face union organizing drives in certain cities. When one or more of the Company's major collective bargaining agreements becomes subject to renegotiation or when the Company faces union organizing drives, the Company and the union may disagree on important issues which, in turn, could lead to a strike, work slowdown or other job actions at one or more of the Company's locations. A strike, work slowdown or other job action could in some cases disrupt the Company from providing its services, resulting in reduced revenue collection. If declines in customer service occur or if the company's customers are targeted for sympathy strikes by other unionized workers, contract cancellations could result. In other cases, a strike, work slowdown or other job action could lead to lower expenses due to fewer employees performing services. Alternatively, the result of renegotiating a collective bargaining could be a substantial increase in labor and benefits expenses that the Company could be unable to pass through to its customers for some period of time, if at all.

An increase in costs that the Company cannot pass on to customers could affect profitability. The Company attempts to negotiate contracts under which its customers agree to pay for increases in certain underlying costs associated with providing its services, particularly labor costs,

workers' compensation and other insurance costs, any applicable payroll taxes and fuel costs. If the Company cannot pass through increases in its costs to its customers under its contracts in a timely manner or at all, then the Company's expenses will increase without a corresponding increase in sales. Further, if the Company's sales decline, the Company may not be able to reduce its expenses correspondingly or at all.

A change in actuarial analysis could affect the Company's results. The Company contracts an annual independent actuarial evaluation of its insurance reserves to ensure that its insurance reserves are appropriate. Actuaries may vary in the manner in which they derive their estimates and these differences could lead to variations in actuarial estimates that cause changes in the Company's insurance reserves not related to changes in its claims experience. In addition, because the Company's actuarial estimate is prepared annually and requires several months of analysis, the Company may not learn of a deterioration in claims, particularly claims administered by a third party, until additional costs have been incurred or are projected. Similarly, the Company may be aware of an improvement in its workers' compensation experience, through improved safety measures or better claims management, before that improvement is reflected in its insurance costs, which are determined based upon the annual actuarial analysis. Because the Company bases its pricing in part on its estimated insurance costs, the Company's prices could be higher or lower than they otherwise might be if better information was available resulting in a competitive disadvantage in the former case and reduced margins or unprofitable contracts in the latter.

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

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

Continued low levels of capital investments by customers could adversely impact the results of Lighting operations. While the economy appears to be recovering in recent months, the commercial office building and retail sectors have been slow to make capital expenditures for lighting projects. While we expect capital investment in these areas to increase in the coming year, customers' capital project budgets could continue at low levels, which would adversely impact the Company's results.

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

These strong competitive pressures could inhibit the Company's success in bidding for profitable business and its ability to increase prices even as costs rise, thereby reducing margins.

A decline in commercial office building occupancy and rental rates could affect the Company's sales and profitability. The Company's sales directly depend on commercial real estate occupancy levels and the rental income of building owners. Decreases in these levels reduce demand and also create pricing pressures on building maintenance and other services provided by the Company. In certain geographic areas and service segments, the Company's most profitable work includes tag jobs performed for tenants in buildings in which it performs building services for the property owner or management company. A decline in occupancy rates could result in a decline in fees paid by landlords as well as tenant work which would lower sales and margins. In addition, in those areas of its business where the Company's workers are unionized, decreases in sales can be accompanied by relative increases in labor costs if the Company is obligated by collective bargaining agreements to retain workers with seniority and consequently higher compensation levels.

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

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

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

Acquisition activity could slow or be unsuccessful. A significant portion of the Company's historic growth has come through acquisitions. A slowdown in acquisitions could lead to a slower growth rate. Because new contracts frequently involve start-up costs, sales associated with acquired operations generally have higher margins than new sales associated with internal growth. Therefore a slowdown in acquisition activity could lead to constant or lower margins, as well as lower revenue growth. Because contracts in the Company's businesses are generally short-term and personal relationships are significant in retaining customers, the Company relies on its ability to retain the managers of its acquired businesses. An inability to retain the services of the former owners and senior managers of acquired businesses could adversely affect the projected benefits of an acquisition. Moreover, the inability to successfully integrate acquisitions into the Company or to achieve the operational efficiencies anticipated in acquisitions could adversely impact sales and costs if we are unable to achieve this integration without encountering difficulties or experiencing the loss of key customers or suppliers. It also may be difficult to design and implement effective internal controls over financial reporting for combined operations and differences in

existing controls for each business may results in deficiencies or weaknesses that require remediation when the financial controls and reporting functions are combined.

Hurricane Katrina could lead to loss of business and increased expenses. The Company does not currently know when it will be able to begin providing services in the New Orleans area or the type or extent of services that it will provide. Because of the extensive damage to the area and the length of time that buildings will be under water, extensive mold remediation is likely to be required in the clean up effort and the Company does not provide these services. The Company does, however, provide site clean up services associated with new construction that may begin in the area. The Sales and operating profits of the Company's New Orleans's businesses for the nine months ended July 31, 2005 were approximately $10.0 million and $0.7 million, respectively. The accounts receivable associated with customers located in New Orleans totaled $1.8 million as of July 31, 2005. The Company's ability to replace this business or collect these receivables is uncertain at this time.

Natural or man-made disasters could disrupt the Company in providing services. Storms, earthquakes, or other natural or man-made disasters may result in reduced sales or property damage. Disasters may also cause economic dislocations throughout the country. Hurricane Katrina has led to higher fuel and energy prices and it is difficult to predict how high the prices may climb or how long the increases may last. While certain of these increased energy costs may be recovered from the Company's customers, such costs incurred by the Company that are not related to the provision of services to customers will not be recoverable. In addition, natural or man-made disasters may increase the volatility of the Company's results, either due to increased costs caused by the disaster with partial or no corresponding compensation from customers, or, alternatively, increased sales and profitability related to tag work, special projects and other higher margin work necessitated by the disaster.

Other issues and uncertainties may include:

• new accounting pronouncements or changes in accounting policies,

• labor shortages that adversely affect the Company's ability to employ entry level personnel,

• legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers such as state or locally- mandated healthcare benefits,

• impairment of goodwill or other intangible assets,

• a reduction or revocation of the Company's line of credit that could increase interest expense and the cost of capital,

• the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company,

The Company believes that it has the human and financial resources for business success, but future profit and cash flow can be adversely (or advantageously) influenced by a number of factors, including those listed above, any and all of which are inherently difficult to forecast. The Company's Annual Report on Form 10-K for the year ended October 31, 2004, contains additional information with respect to the factors that could influence its business. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. Substantially all of the operations of the Company are conducted in the United States, and, as such, are not subject to material foreign currency exchange rate risk. At July 31, 2005, the Company had no outstanding long-term debt. Although the Company's assets included $43.2 million in cash and cash equivalents at July 31, 2005, market rate risk associated with changing interest rates in the United States is not material.

Item 4. Controls and Procedures

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

Changes in Internal Control Over Financial Reporting. No individual change in the Company's internal control over financial reporting that occurred during the Company's third quarter of fiscal 2005 has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As described elsewhere in this Form 10-Q Quarterly Report, management has been engaged in systems and process evaluation and testing of internal controls. While no material weaknesses have been identified during that process, management has identified areas of internal control over financial reporting that required improvement, particularly in the information technology environment, Lighting inventory controls and Parking cash management. The Company is in the process of implementing such improvements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During the quarter ended April 30, 2005, the Company recorded a charge of $6.3 million for damages, court-awarded fees and other amounts awarded to the plaintiff in the case named *Forbes v. ABM*, as well as other costs (including interest through April 30, 2005) following the Washington Court of Appeals' April 21, 2005 denial of ABM's appeal of an earlier jury verdict. This gender discrimination lawsuit was originally filed in the State of Washington against ABM by a former employee of a subsidiary of ABM in September 1999. On May 19, 2003, a Washington state court jury for the Spokane County Superior Court awarded $4.0 million in damages to the plaintiff. The court later awarded costs of $0.7 million to the plaintiff, pre-judgment interest in the amount of $0.3 million and an additional $0.8 million to mitigate the federal tax impact of the plaintiff's award. When the awards were made, the Company believed it had been denied a fair trial and appealed the verdict on the grounds that several key rulings by the court were incorrect and resulted in substantial prejudice to the Company. The Company also believed that the original verdict would be reversed because it was excessive and inconsistent with the law and the evidence. In August 2005, the Company and plaintiff agreed to settle the lawsuit for $5.0 million, which resulted in a partial reversal of the $6.3 million charge. The $5.0 million liability was included in other accrued liabilities as of July 31, 2005.

In 1998, ABM's parking subsidiary leased a parking facility in Houston, Texas, owned by a limited partnership jointly owned by affiliates of American National Insurance Company ("ANICO") and partners associated with Gerry Albright (the "Albright affiliates.") In June 2003, the ANICO affiliates notified the Albright affiliates that they would sell their interest in the parking facility. The Albright affiliates accepted the offer and attempted to secure financing. In connection with certain proposed financing for the Albright affiliates, ABM's parking subsidiary was asked to submit an estoppel certificate and on that certificate it set forth certain claims under the lease. The Albright affiliates subsequently did not close the transaction

and the ANICO affiliates acquired the interest in the parking facility held by the Albright affiliates. On December 5, 2003, the Albright affiliates filed a lawsuit against ABM, its parking subsidiary, and certain ANICO affiliates. The complaint alleged that ABM breached its obligations under the parking facility lease and committed tortious interference, the ANICO affiliates breached fiduciary responsibilities under the partnership agreement, and that ABM and ANICO were engaged in a conspiracy. Subsequently, claims against ANICO were dismissed. The Albright affiliates assert damages consisting of (1) the value of the parking facility in excess of the purchase price at the time of the proposed purchase by the Albright affiliates ($1.8 million); (2) lost future revenues from the operation of the parking facility ($15.4 million); (3) future appreciation of the property during the remainder of the parking facility lease (a range from $9.9 million to $39.0 million); (4) exemplary damages; and (5) attorneys' fees. This matter is currently before the Federal District Court in Houston, Texas. ABM believes that it acted in good faith under the terms of the lease and is not liable to the Albright affiliates for their damages related to their inability to secure financing. If ABM were found liable, ABM believes that the amount of the Albright affiliates' damages would be approximately $3.26 million. ABM further believes that any damages in excess of $150,000 incurred in this lawsuit represent an insured loss under its commercial general liability coverage and commercial umbrella coverage and that its carriers have a duty to provide a defense. ABM has notified its carriers who have denied coverage or indicated an intention to deny coverage. In August 2005, ABM filed a complaint for declaratory judgment against its insurance carriers in Federal District Court in San Francisco, California to ensure its coverage for any damages related to the claims of the Albright affiliates. As of the filing of this report, ABM believes that the likelihood of the loss occurring is not probable and, therefore, it has not accrued any amount for this matter.

In December 1997, ABM's parking subsidiary entered into a five-year agreement with the City of Dallas to perform parking management services for the Love Field Airport. This agreement provided for a minimum annual guarantee payment ("MAG") to the City. The Company believes that reductions to the number of stalls in the managed parking area that occurred commencing August 4, 2001 and the opening of a new parking area and other actions required adjustment of the agreement, including the amount of the MAG. Although an exchange between the parties took place as to terms of an amendment, no amendment was executed. ABM's parking subsidiary did, however, continue performing parking management services until April 2004, when the agreement was terminated. On July 12, 2004, the City of Dallas filed a complaint in Texas State Court in Dallas alleging a breach of contract by ABM's parking subsidiary for underpayment of the MAG by $1.8 million, and in May 2005 amended that complaint to allege fraud and negligent misrepresentation by ABM's parking subsidiary. The matter is currently in the discovery phase. ABM believes that it acted in good faith and is not liable to the City of Dallas. In order to resolve this dispute, the Company has offered $100,000 in settlement, which it has accrued.

On February 1, 2005, the Office of Federal Contract Compliance Programs ("OFCCP"), a division of the US Department of Labor, notified ABM's security subsidiary of an alleged violation of federal affirmative action laws based on a statistical hiring disparity (shortfall) between men and women during 2002. (There was no statistically significant shortfall in 2001, or since 2002.) In August 2005, ABM and the OFCCP agreed to settle this claim for $67,000, which the Company accrued as of July 31, 2005.

The Company uses an independent actuary to annually evaluate the Company's estimated claim costs and liabilities. The 2004 actuarial report completed in November 2004 indicated that there were adverse developments in the Company's insurance reserves primarily related to workers' compensation claims in the State of California during the four-year period ended October 31, 2003, for which the Company recorded a charge of $17.2 million in the fourth quarter of 2004. The Company believes a substantial portion of the $17.2 million was related to poor claims management by a third party administrator, who no longer performs these services for the Company. In addition, the Company believes that poor claims administration in certain other states, where it had insurance, led to higher insurance costs for the Company for its damages related to claims mismanagement. The Company has filed a complaint against its former third party administrator. The Company is actively pursing this complaint, which will be subject to arbitration.

ABM and some of its subsidiaries have been named defendants in certain other litigation arising in the ordinary course of business. In the opinion of management, based on advice of legal counsel, such matters should have no material effect on the Company's financial position, results of operations or cash flows.

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

The Company had commercial insurance policies covering business interruption, property damage and other losses related to the World Trade Center ("WTC") complex in New York, which was the Company's largest single job-site with annual Sales of approximately $75.0 million (3% of the Company's consolidated Sales for 2001). As of October 31, 2004, Zurich Insurance ("Zurich") had paid partial settlements totaling $13.8 million, of which $10.0 million was for business interruption and $3.8 million for property damage, which substantially settled the property portion of the claim. The Company realized a pre-tax gain of $10.0 million in 2002 on the proceeds received.

In December 2001, Zurich filed a Declaratory Judgment Action in the Southern District of New York claiming the loss of the business profit falls under the policy's contingent business interruption sub-limit of $10.0 million. On June 2, 2003, the court ruled on certain summary judgment motions in favor of Zurich. Thereafter, the Company appealed the court's rulings.

On February 9, 2005, the United States Court of Appeals for the Second Circuit granted summary judgment in favor of ABM on the Company's insurance claims for business interruption losses resulting from the WTC terrorist attack. The Court also ruled that ABM is entitled to recovery for the extra expenses the Company incurred after September 11, 2001, which include millions of dollars related to increased unemployment claims and costs associated with the redeployment of WTC personnel at other facilities. The Court rejected the arguments of Zurich to limit the Company's business interruption coverage and returned the case to the Southern District of New York for determination of appropriate additional compensation under the policy. ABM will continue to pursue its claims against Zurich. Under the policy, coverage for business interruption and other related losses is capped at $127.4 million. ABM believes its losses exceed $100.0 million, of which the $10.0 million described above has been paid under the contingent business interruption sub-limit.

On February 24, 2005, Zurich filed a motion to have its appeal heard by the Second Circuit Court of Appeals sitting en banc. Zurich's motion was denied on June 27, 2005, and this matter will return to the district court for a trial on the amount of ABM's losses.

On March 30, 2005, the Company signed the Sworn Statement in Proof of Loss which entitled the Company to receive an indemnity payment from Zurich of $1.5 million, representing the Company's recovery of certain accounts receivable from customers that cannot be collected due to loss of paperwork in the destruction of WTC, additional claimed business personal property and business income loss. On May 9, 2005, this indemnity payment was received. The Company realized a pre-tax gain of $1.2 million on this indemnity payment in the second quarter of 2005. An additional $1.5 million in accounts receivable losses remain in dispute, and negotiations are ongoing.

Under Emerging Issues Task Force ("EITF") Issue No. 01-10, "Accounting for the Impact of the Terrorist Attacks of September 11, 2001," the Company has not recognized future amounts it expects to recover from its business interruption insurance as income. Any gain from insurance proceeds is considered a contingent gain and, under Statement of Financial Accounting Standard ("SFAS") No. 5, "Accounting for Contingencies," can only be recognized as income in the period when any and all contingencies for that portion of the insurance claim have been resolved.

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

(c) Stock Repurchases

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (1)
5/1/2005- 5/31/2005	—	—	—	1,788,300 shares
6/1/2005- 6/30/2005	510,900 shares	$ 19.18	510,900 shares	1,277,400 shares
7/1/2005- 7/31/2005	877,400 shares	$ 19.79	877,400 shares	400,000 shares
Total	1,388,300 shares	$ 19.56	1,388,300 shares	400,000 shares

(1) On March 7, 2005, ABM's Board of Directors authorized the purchase of up to 2.0 million shares of ABM's common stock at any time through October 31, 2005.

Item 6.Exhibits

Exhibit 2.1 - Sales Agreement, dated as of May 27, 2005, by and among ABM Industries Incorporated, CommAir Mechanical Services and Carrier Corporation (Schedules and exhibits omitted.) *

Exhibit 10.1 - Time-Vested Incentive Stock Option Plan, as amended and restated June 7, 2005

Exhibit 10.2 - 2002 Price-Vested Performance Stock Option Plan, as amended and restated June 7, 2005

Exhibit 10.3 - Executive Employment Agreement with Henrik C. Slipsager as of June 14, 2005

Exhibit 10.4 - Executive Employment Agreement with James P. McClure as of July 12, 2005

Exhibit 10.5 - Executive Employment Agreement with George B. Sundby as of July 12, 2005

Exhibit 10.6 - Executive Employment Agreement with Steven M. Zaccagnini as of July 12, 2005

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a)

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

* The Company undertakes to provide a copy of each omitted schedule and exhibit to the Securities and Exchange Commission on request.

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 9, 2005

/s/ George B. Sundby
George B. Sundby
Executive Vice President and
Chief Financial Officer
Principal Financial Officer

September 9, 2005

/s/ Maria De Martini
Maria De Martini
Vice President and Controller
Chief Accounting Officer

EXHIBIT INDEX

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EXHIBIT 2.1

This Sale Agreement has been filed to provide investors with information regarding its terms. It is not intended to provide any other factual information about ABM Industries Incorporated, CommAir Mechanical Services or Carrier Corporation. The representations and warranties of the parties in this Sale Agreement were made to, and solely for the benefit of, the other parties. The assertions embodied in the representations and warranties are qualified by information included in disclosure schedules exchanged by the parties that may modify or create exceptions to the representations and warranties. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.

SALE AGREEMENT

by and among

SELLERS

and

PURCHASER

Dated as of May 27, 2005

TABLE OF CONTENTS

Sellers Disclosure Schedule

Schedule	1.1(a)	Sellers' Persons with Knowledge
	2.1(m)	Permits
	2.2(g)	Partially Utilized Facilities
	2.2(k)	Other Assets
	2.4(b)	Legal Proceedings
	3.2(a)	Agreed Accounting Principles
	3.2(b)	Cash Change Schedule
	3.3(a)	Project Contracts
	5.3	Consents and Approvals
	5.4	Certain Changes or Events
	5.5(b)	Labor Unions
	5.6	Seller Plans
	5.7	Material Contracts
	5.8	Governmental Authority
	5.10(a)	Compliance with Tax Law
	5.10(b)	Withholding and Payment of Taxes
	5.13	Financial Information
	5.14	Undisclosed Liabilities; Performance Bonds
	5.15	Title to Purchased Assets; Location
	5.17	Real Property
	7.6(b)	Excluded Employees
	7.7(b)	Material Service Contract Consents
	7.10	Conduct of Business Prior to Closing
	7.16	Purdy Account

SALE AGREEMENT

SALE AGREEMENT, dated as of May 27, 2005 (this "**Agreement**"), by and among ABM Industries Incorporated, a Delaware corporation ("**ABM**"), CommAir Mechanical Services, a California corporation ("**CMS**") (ABM and CMS each a "**Seller**" and collectively, "**Sellers**"), and Carrier Corporation, a Delaware corporation ("**Purchaser**").

WHEREAS, ABM through CMS, its wholly owned subsidiary, owns and operates a business segment that installs, services (including the provision of water treatment services) and repairs commercial heating, ventilation and air conditioning equipment and controls;

WHEREAS, Purchaser desires to purchase from Sellers, and Sellers desire to sell to Purchaser, substantially all of the assets of the Business (as defined hereinafter) upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions As used in this Agreement, each of the following terms shall have the following meanings:

(i) "ACM" means any asbestos containing material.

(ii) "Adjusted Net Assets" means the Net Assets computed based on the information contained in the Final Preceding Month End Balance Sheet prepared in accordance with the Agreed Accounting Principles.

(iii) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(iv) "Agreed Accounting Principles" means those accounting principles set forth on Schedule 3.2(a) of Sellers Disclosure Schedule and used for the preparation of the Preceding Month End Balance Sheet. Such schedule also sets forth the methodology used for the calculation of Adjusted Net Assets and Target Net Assets, used in determining the adjustment to the Closing Purchase Price described in Section 3.2.

(v) "Applicable Law" means any law, code, regulation, rule, order, judgment or decree to which the Business, Sellers, or any of their Affiliates are subject.

(vi) "Asbestos Activity" means any possession, purchase, sale, brokering, owning, leasing, using, manufacturing, fabricating, controlling, handling, installing, encapsulating, servicing, maintaining, disposing of, remediating or transporting, or exposure to, any asbestos or ACM, or any products, assets, materials, supplies or other property (including personal property, real property and fixtures) containing asbestos or ACM.

(vii) "Balance Sheet" means the unaudited balance sheet of CMS as of February 28, 2005, which is attached hereto as part of Schedule 5.13 of Sellers Disclosure Schedule.

(viii) "Bill of Sale" means the Bill of Sale to be delivered at the Closing with respect to the Purchased Assets substantially in the form of Exhibit A hereto.

(ix) "Books and Records" means all books, records, files, documents, financial records, bills, accounting records, tax records, operating manuals, personnel records, customer and supplier lists and files, including customer lists, preprinted materials, artwork, and other similar items.

(x) "Business" means Sellers' business of installing, servicing and repairing commercial heating, ventilation and air conditioning equipment and controls, but excluding the provision of water treatment services.

(xi) "Business Day" means any day other than Saturday, Sunday and any day which is a legal holiday or a day on which banking institutions in the State of New York are authorized by law or other governmental action to close.

(xii) "Cash Change" means the net cash transfers between CMS and ABM during the period from (a) the date of the Preceding Month End Balance Sheet through (b) the Closing Date as determined in accordance with the methodology illustrated on Schedule 3.2(b) of Sellers Disclosure Schedule. The computation of Cash Change shall reflect (x) cash disbursements in respect of Sellers' payment of (i) liabilities reflected on the Preceding Month End Balance Sheet or (ii) Stub Period Operational Expenses, netted against (y) cash receipts in respect of Sellers' collection on accounts receivable reflected on the Preceding Month End Balance Sheet or otherwise arising during the period between the date of the Preceding Month End Balance Sheet and the Closing Date.

(xiii) "Code" means the United States Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder.

(xiv) "Confidentiality Agreement" means the Confidentiality Agreement, dated as of February 16, 2005, by and between ABM and Purchaser.

(xv) "Employee" means any employee of any Seller as of the Closing Date (including employees who are not actively at work as of the Closing Date on account of sickness, vacation, family medical leave, sick leave or other normal course temporary absence (but excluding disability, authorized leave of absence

or other situations where the absence is either long-term or indeterminate)) whose work or function is related primarily to the operation of the Business.

(xvi) "Employee Services Loan Agreement" means the Employee Services Loan Agreement to be delivered at the Closing substantially in the form of Exhibit D hereto.

(xvii) "Encumbrances" means any mortgages, pledges, liens (statutory or otherwise), security interests, easements, rights-of-way, covenants, claims, conditional and installment sale agreements, restrictions or encumbrances and charges of any kind or nature whatsoever (other than those related to this Agreement).

(xviii) "Environmental Condition**"** means the Release of a Regulated Substance or the presence of a Regulated Substance on, in, under or within any property (including the presence in surface water, groundwater, soils or subsurface strata, or air), other than the presence of a Regulated Substance in locations and at concentrations that are naturally occurring.

(xix) "Environmental Law" shall mean any federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order or judgment, to the extent such order or judgment is specifically applicable to the Purchased Assets or the Business, and any provision or condition of any Permit or other operating authorization specifically applicable to the Purchased Assets or the Business relating to the protection of the environment or the public welfare from actual or potential exposure to any actual or potential release, discharge, disposal or emission of any Regulated Substance.

(xx) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder.

(xxi) "ERISA Affiliate" means each trade or business (whether or not incorporated) that, together with any Seller, is treated as a single employer under Sections 414(b), (c), (m) or (o) of the Code.

(xxii) "Existing Environmental Conditions" means any Environmental Condition existing prior to or as of the Closing Date at any property or facility, including the subsequent migration of any Regulated Substances comprising such an Environmental Condition.

(xxiii) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

(xxiv) "Governmental Authority" means a domestic or foreign federal, state, municipal or local government, legislative, or regulatory authority, agency or commission, including courts of competent jurisdiction and arbitrators.

(xxv) “Head Office” means the head corporate office of the Business located in Oakland, California.

(xxvi) “HVAC” means commercial heating, ventilation and air conditioning equipment and controls.

(xxvii) “Instrument of Assumption” means the Instrument of Assumption to be delivered at the Closing with respect to the Assumed Liabilities substantially in the form of Exhibit B hereto.

(xxviii) “Interim Services Agreement” means the Interim Services Agreement to be delivered at the Closing substantially in the form of Exhibit C hereto.

(xxix) “Inventory” means the complete inventory of goods in transit, work in progress, raw materials, spare parts, supplies, materials and merchandise of the Business held for sale or to be consumed in the performance of maintenance, installation, repair and project services.

(xxx) “Knowledge” means the actual knowledge, after diligent inquiry or investigation, of (a) with respect to Sellers, the individuals set forth on Schedule 1.1(a) of Sellers Disclosure Schedule and (b) with respect to Purchaser, senior executives of Purchaser.

(xxxi) “Material Adverse Effect” means (a) any change in or effect that is, individually or in the aggregate, materially adverse to the business, operations or results of operations of the Business taken as a whole, excluding any such change or effect resulting from or arising in connection with (A) changes in conditions or circumstances generally affecting the industry in which the Business operates or (B) the compliance with the terms and conditions of this Agreement or (b) any material adverse effect on the ability of Sellers to consummate the transactions contemplated by this Agreement.

(xxxii) “Net Assets” means the net assets of CMS computed based on information contained in the Balance Sheet, the Preceding Month End Balance Sheet or the Final Preceding Month End Balance Sheet, as the case may be, all prepared according to the Agreed Accounting Principles.

(xxxiii) “Other Taxes” means all Taxes other than income Taxes.

(xxxiv) “Permitted Encumbrances” means (A) Encumbrances arising or incurred in the ordinary course of business that are not material in amount or do not materially detract from the value of or materially impair the use of the Purchased Assets, (B) Encumbrances for Taxes not yet due and payable or the validity of which is being contested in good faith by appropriate proceedings, (C) Encumbrances of carriers, warehousemen, mechanics and material men and other like Encumbrances arising in the ordinary course of business, and (D) Encumbrances which do not, individually or in the aggregate, have a Material

Adverse Effect; provided that for purposes of Section 2.1 clause (D) hereof shall not apply.

(xxxv) "Permitted Services" means (i) HVAC services performed by onsite employees of ABM Engineering Services Company in connection with customer preventative maintenance program, and (ii) HVAC services performed by employees and subcontractors on behalf of ABM Facility Services Company; provided, however, that in each case of (i) and (ii) the HVAC services are in good-faith related to other services (i.e. a bundled offering) involving mechanical equipment in addition to HVAC equipment; and provided, further, that with respect to clauses (i) and (ii), the direct performance of such HVAC services by employees of such ABM Affiliates is in the nature of ordinary preventative maintenance (changing filters, hosing coils, etc.) and not major repairs, replacement, retrofit or installation of new equipment. By way of clarification, "Permitted Services" would not permit ABM Engineering Services Company, ABM Facility Services Company and other ABM Affiliates to bid and perform HVAC services on a stand-alone basis for a period of five (5) years following the Closing Date as outlined in Section 7.8 of this Agreement. By way of further clarification, this provision and Section 7.8 hereof shall not restrict ABM Facility Services Company and ABM Engineering Services Company from providing the same type and range of HVAC services as currently provided to their present customers, or from providing such HVAC services to future customers; provided if such services are not consistent with the above definition of Permitted Services, they are de-minimus.

(xxxvi) "Person" means an individual, a partnership, a joint venture, a corporation, a limited liability company, a limited liability partnership, a trust, an unincorporated organization or a Governmental Authority or any department or agency thereof.

(xxxvii) "Predecessor" means any person that was or is a predecessor entity or entities to Sellers or any Affiliate of Sellers by any legal means, including, without limitation, (i) pursuant to any legal requirement, whether by statutory merger, de facto merger, consolidation, combination, division, sale of assets, dissolution, reorganization or otherwise or (ii) based on any theory or doctrine of successor liability, whether by statute or at common law.

(xxxviii) "Regulated Substance" means petroleum or petroleum products and any other material, substance or waste that is identified and regulated by any federal, state or local statute, ordinance, rule or regulation intended to protect the environment or public health.

(xxxix) "Release**"** means any spill, leak, emission, discharge, deposit, disposal, injection, escape, leaching, dumping or other release of any Regulated Substance into the environment, whether intentional or unintentional, including the abandonment or discarding of barrels, containers and other receptacles containing any Regulated Substance.

(xl) “Sellers Disclosure Schedule” means the disclosure schedule attached to this Agreement and delivered by Sellers to Purchaser pursuant to the terms of this Agreement.

(xli) “Stub Period Operational Expenses” means all expenses of the Business other than for Excluded Liabilities (except for this purpose, Other Taxes) incurred in the ordinary course of business by the Business (including, but not limited to, all trade obligations and expenses for payroll, vacation, bonuses and commissions, and contributions to the Seller Plans) between the date of the Preceding Month End Balance Sheet and the Closing Date, but excluding any amounts owed to ABM or an Affiliate of ABM other than (i) in respect of insurance premiums for general liability and workers compensation (which shall be calculated at a rate of no more than four thousand dollars ($4,000) per calendar day) and (ii) information management and related services provided to CMS by ABM that continue under the Interim Services Agreement (which shall be calculated at the rates negotiated in the Interim Services Agreement), which shall be included.

(xlii) “Target Net Assets” means $10,529,000, which is the Net Assets as of October 31, 2004 as shown on Schedule 3.2(a) of the Sellers Disclosure Schedule which was calculated from the October 31, 2004 balance sheet of CMS prepared in accordance with the Agreed Accounting Principles on such Schedule 3.2(a) of Sellers Disclosure Schedule.

(xliii) “Tax” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

(xliv) “Tax Return” means any return, report, information return or other document (including any amendment thereto, and any schedule or attachment thereto and related or supporting information) supplied or required to be supplied to any authority with respect to Taxes.

(xlv) “Temporary Lease Period” means the period, not to exceed 150 days from the Closing Date, for which Purchaser is leasing the Partially Utilized Facilities pending relocation of the Business from the Partially Utilized Facilities.

(xlvi) “WARN Act” means the Federal Worker Adjustment Retraining and Notification Act of 1988, and the rules and regulations thereunder.

(b) Each of the following terms has the meaning specified in the Section set forth opposite such term:

Term	Section
ABM	Preamble
ABM Transaction	7.14
Adjustment Statements	3.2(b)
Agreement	Preamble
Allocation Schedule	7.5(c)
Ancillary Documents	5.2
Assigned Employees	7.6(b)
Assumed Contracts	2.1(a)
Assumed Leases	2.1(b)
Assumed Liabilities	2.3
Bonus Plan	2.3(e)
Cash Change Amount	3.2(b)
Cash Change Schedule	3.2(b)
Closing	4.1
Closing Date	4.1
Closing Purchase Price	3.1
CMS	Preamble
Competitive Business	7.8(a)
Comprehensive Basket	9.5
Consent Period	7.7(c)
Excluded Assets	2.2
Excluded Employees	7.6(b)
Excluded Liabilities	2.4
Excluded Records	2.1(g)
Final Preceding Month End Balance Sheet	3.2(c)
Immediately Hired Employees	7.6(b)
Incurred Costs	3.3(a)
Indemnifiable Losses	9.2(a)
Indemnifying Party	9.2(d)
Indemnitee	9.2(d)
Labor Unions	5.5(b)
Material Contracts	5.7
Material Project Contracts	5.7
Material Service Contracts	5.7
Multiemployer Plan	5.6(d)
Net Asset Adjustment Statements	3.2(a)
Neutral Accountant	3.2(c)
Partially Utilized Facilities	2.1(g)

Term	Section
Partially Utilized Facility Leases	2.2(g)
Performance Bonds	2.1(n)
Permits	5.9
Petty Cash	2.1(i)
Preceding Month End Balance Sheet	3.2(a)
Project Contracts	3.3(a)

Term	Section
Project Losses	3.3(a)
Project Losses Statement	3.3(c)
Purchased Assets	2.1
Purchaser	Preamble
Purchaser Group	9.2(a)
Purchaser Plans	7.6(b)
Purchaser's Savings Plan	7.6(d)
Registration	5.11
Reimbursable Liabilities	2.3(a)
Requested Required Consents	7.7(c)
Required Consents	7.7(b)
Seller	Preamble
Seller Group	9.2(c)
Seller Plans	5.6(a)
Sellers Savings Plans	7.6(d)
Shared Liabilities	2.5(a)
Target Business	7.8(a)
Tax Information	7.5(a)
Termination Date	10.1(b)
Third Party Claim	9.3(a)
Transferred Employees	7.6(b)
Transfer Taxes	7.5(b)
U.S. GAAP	5.13

ARTICLE II.
SALE AND PURCHASE

2.1 The Sale Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing, Sellers agree to sell, assign, convey, transfer and deliver to Purchaser and Purchaser agrees to purchase, acquire and accept from Sellers, free and clear of all Encumbrances (other than Permitted Encumbrances) all of Sellers' right, title and interest in and to all of the business, properties, assets, goodwill and rights of Sellers primarily related to the Business of whatever kind or nature, tangible or intangible, other than the Excluded Assets (collectively, the "**Purchased Assets**"), including, without limitation:

(a) all of Sellers' service, repair, maintenance, installation and project contracts and agreements of the Business, including any amendments and supplements, modifications or side letters thereto and any other agreements related to work performed by Sellers in connection with the Business whether or not such contracts or agreements are valid or expired by their terms (collectively, the "**Assumed Contracts**");

(b) the leasehold interests, including any prepaid rent, security deposits and options to renew or purchase in connection therewith, of Sellers in real property primarily relating to the Business (the "**Assumed Leases**");

(c) the furniture, equipment, machinery, supplies, vehicles, tools, personal property, fixtures and other tangible property owned, used, leased or licensed by Sellers and primarily relating to the Business;

(d) all vehicle and equipment leases of the Business;

(e) all accounts receivable of the Business as of the date of the Final Preceding Month End Balance Sheet and all accounts receivable of the Business arising between the date of the Preceding Month End Balance Sheet and the Closing Date;

(f) the Inventory of the Business;

(g) the Books and Records of the Business residing at the branches, the Head Office and in the locations occupied by the Business at the facilities partially utilized by the Business listed on Schedule 2.2(g) of Sellers Disclosure Schedule (the "**Partially Utilized Facilities**"), except for all (i) personnel and related human resources records with respect to employees of the Business as of the Closing Date, including Employees and former employees and (ii) payroll and sales and use Tax records ((i) and (ii), the "**Excluded Records**");

(h) the operating manuals of the Business;

(i) all petty cash of the Business maintained at the branches, the Head Office and the Partially Utilized Facilities, in any event not to exceed fifteen thousand dollars ($15,000) in the aggregate for all such facilities (the "**Petty Cash**");

(j) the know-how (including all material documentation relating thereto in existence as of the Closing Date) and, to the extent existing, the trade secrets, technology and inventions, related to the Business;

(k) to the extent existing, the patents (including all reissues, divisions, continuations and extensions of such patents), patent applications, trade names, trademarks, service marks, trademark or service mark registrations and registration applications, product designations, product and service goodwill, trade dress, copyrights, license rights, computer software, specifications, data, logos, slogans, and designs together with all registrations and applications relating primarily to the Business;

(l) all rights under warranties, representations and guarantees made by suppliers, manufacturers or contractors in connection with the operation of the Business or affecting any of the Purchased Assets;

(m) all Permits relating primarily to the Business as set forth on Schedule 2.1(m) of Sellers Disclosure Schedule;

(n) to the extent assignable, all right, title and interest in and under fidelity, performance and surety bonds of the Business, including those relating to specific jobs of the Business involving sub-contractors performing work for the Business (the "**Performance Bonds**");

(o) all goodwill relating to the Business;

(p) all post office boxes, telephone numbers, and other communication codes, numbers or devices used in connection with the Business and (non-ABM specific) content of the Mechanical section of the ABM website, located at www.abm.com/mechanical; and

(q) any other assets primarily used by Sellers in the Business on the Closing Date that are not specifically listed above or identified as Excluded Assets; provided, however that, and notwithstanding the foregoing, any tangible personal property used by Sellers in both the Business and for the provision of water treatment services shall be included herein as Purchased Assets to the extent such property is not primarily used for the provision of water treatment services.

2.2 Excluded Assets

Purchaser shall not acquire pursuant to this Agreement, the Purchased Assets shall not include and Sellers shall retain the following (collectively, the "**Excluded Assets**"):

(a) all cash, bank deposits in transit and cash equivalents of the Business, except for Petty Cash;

(b) the Excluded Records;

(c) all insurance policies covering the Business or the Purchased Assets;

(d) all rights to insurance proceeds arising (i) prior to the Closing Date with respect to the Purchased Assets or the conduct of the Business, or (ii) at any time with respect to the Excluded Assets;

(e) all refunds and credits relating to Taxes paid by Sellers (and Sellers' Affiliates) or Taxes in connection with the conduct of the Business prior to the Closing whether such refund is received as a payment or a credit against future taxes payable;

(f) all property and assets of Sellers (and Sellers' Affiliates), including those primarily related to the provision of water treatment services, that are not used primarily in the operation of the Business; provided, however, that any tangible personal property that is used in both the Business and for the provision of water treatment services shall not be Excluded Assets but shall be included in Purchased Assets to the extent such property is not primarily used for the provision of water treatment services;

(g) the leasehold interests, including any prepaid rent, security deposits and options to renew or purchase in connection therewith, of Sellers with respect to the Partially Utilized Facilities (the "**Partially Utilized Facility Leases**") as set forth on Schedule 2.2(g) of Sellers Disclosure Schedule;

(h) the minute and record books, corporate seal, stock records and organizational documents of Sellers;

(i) all rights under any retirement, profit sharing or other employee benefit plan of Sellers; and

(j) all loans, employment commission, employment and consulting contracts or similar contracts and life insurance maintained by Sellers;

(k) any other assets that are specifically identified and described on Schedule 2.2(k) of Sellers Disclosure Schedule.

2.3 Assumed Liabilities

Except as provided in Section 2.4 hereof, Purchaser agrees, effective at the Closing Date, to assume, pay, perform and discharge, when due:

(a) (i) trade accounts payable and (ii) except as may otherwise be provided in the Employee Services Loan Agreement, an amount equal to the accrued expenses for payroll, vacation, bonuses and commissions, and contributions to the Sellers Plans and Other Taxes (the "**Reimbursable Liabilities**") to the extent and in the amounts reflected on the Final Preceding Month End Balance Sheet;

(b) all obligations or liabilities, including performance obligations, under the Assumed Contracts, Assumed Leases, vehicle and equipment leases (and all other contracts and agreements of the Business entered into in the ordinary course of business and consistent with past practices) incurred in the ordinary course of business and consistent with past practices prior to the Closing Date or relating to the period after the Closing Date (excluding liability for material breach or material non-performance under the Assumed Contracts or Assumed Leases occurring prior to the Closing Date, provided that Sellers shall retain such liability for material breach or material non-performance under the Assumed Contracts and Assumed Leases in the event and to the extent that the Purchaser shall have notified Sellers of any such breach or non-performance within one year of the Closing Date);

(c) all obligations under Performance Bonds issued by Sellers on behalf of the Business, to the extent assignable;

(d) trade accounts payable of the Business as of the date of the Final Preceding Month End Balance Sheet and an amount equal to the Stub Period Operational Expenses (other than the trade accounts payable);

(e) all obligations under the FY 2005 bonus plan of the Business to the extent arising in the ordinary course of the Business (the "**Bonus Plan**"); and

(f) subject to Section 2.5 hereof, all other liabilities of the Business arising out of the operation of the Business after the Closing Date.

The foregoing obligations, liabilities and commitments, and no others, shall be hereinafter referred to as the "**Assumed Liabilities**".

2.4 Excluded Liabilities

Purchaser shall not assume and shall not be obligated to pay, perform or otherwise discharge any liabilities and obligations of Sellers not expressly assumed pursuant to this Agreement, including without limitation (collectively, the "**Excluded Liabilities**"):

(a) all interest bearing liabilities in respect of money borrowed by the Business as of the Closing Date;

(b) subject to Section 2.5, all liabilities in respect of causes of action, claims, suits or proceedings of or involving third parties against Sellers relating to the Business or the Purchased Assets arising out of incidents or events occurring on or prior to the Closing Date, including, without limitation, all insurance (including, without limitation, workers compensation, general liability, automobile and property damage) claims with an incident date on or prior to the Closing Date and all other claims as set forth on Schedule 2.4(b) of Sellers Disclosure Schedule;

(c) all liabilities for material breach or material non-performance under the Assumed Contracts or Assumed Leases occurring prior to the Closing Date, provided that Sellers shall retain such liability for material breach or material non-performance under the Assumed Contracts and Assumed Leases only in the event and to the extent that Purchaser shall have notified Sellers of any such breach or non-performance within one year of the Closing Date; except, however, that Sellers shall retain and Purchaser shall not assume any such liabilities arising out of Sellers' violations of Applicable Law (including, without limitation, Environmental Law);

(d) any liabilities or obligations of Sellers in respect of any Excluded Assets or other assets of Sellers which are not Purchased Assets, whether or not such liabilities or obligations arise before or after the Closing Date;

(e) any liabilities or obligations with respect to Taxes attributable to Sellers, the Business, or the Purchased Assets for taxable periods, or any portion thereof, ending on or before the Closing Date;

(f) any liabilities or obligations of ABM or CMS for the unpaid Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local, or foreign law or regulation), as a transferee or successor, by contract, or otherwise;

(g) any liabilities or obligations of Sellers pursuant to any employment or consulting agreements with either Seller and any liabilities or obligations of Sellers pursuant to any employment or similar agreements with any Employee or independent contractor under the Seller Plans or any stay bonus or similar arrangement entered into or created as a result of this transaction, unless specifically assumed (it being understood and agreed by the parties that, to the extent obligations thereunder arise in the ordinary course of business, the Bonus Plan is being assumed by Purchaser hereunder) pursuant to this Agreement;

(h) subject to Section 2.5 hereof, any liabilities arising out of (1) incidents or events occurring prior to the Closing Date involving any violation of Environmental Laws with respect to the operations of the Business prior to or as of the Closing Date, (2) actions or incidents occurring prior to the Closing Date that could form the basis for a claim of liability under Environmental Law, including without limitation, the release or disposal of Regulated Substances by or in connection with the Business; (3) any Existing Environmental Conditions on, at, under or from any properties or facilities now or formerly owned, leased, or operated by the Sellers, the Business or any Predecessor; and (4) the storage, transportation, treatment, disposal, discharge, recycling or release of any Regulated Substances at any location by any Seller, the Business or any Predecessor on or before the Closing Date, or the arrangement by any Seller, the Business or any Predecessor for any storage, transportation, disposal, discharge, recycling or release of any Regulated Substances at any location on or before the Closing Date;

(i) the use, procurement, manufacture or sale of, or exposure to, ACM in products manufactured, sold, installed or serviced in connection with the Business or any discontinued product or product line on or prior to the Closing Date by any Seller or any Predecessor and any other Asbestos Activity performed or undertaken by any Seller or any Predecessor whether or not in connection with the Business; and

(j) any obligations or liabilities arising from or related to discontinued, sold or abandoned businesses, or commercial operations of Sellers or any Predecessors.

2.5 Shared Liabilities

(a) Subject to Section 2.5(b), with respect to certain liabilities of the Business relating to causes of action, claims, suits or proceedings of or involving third parties concerning Environmental Law which arise from incidents or events occurring over a period of time beginning before the Closing Date (for which Sellers are responsible as Excluded Liabilities) and ending after the Closing Date (for which Purchaser may be liable as Assumed Liabilities) (**"Shared Liabilities"**), such Shared Liabilities shall be allocated to the parties in an equitable manner taking into account the relative fault of each of the parties as determined by a trier of fact as well as the relative proportions of time such incidents or events occurred before and after the Closing Date.

(b) Notwithstanding Section 2.5(a), the following liabilities shall not be considered Shared Liabilities, and Sellers shall remain solely liable for: (i) any liabilities of Sellers or any Predecessors arising from or relating to Existing Environmental Conditions (including any ongoing migration of Existing Environmental Conditions); (ii) any liabilities of Sellers or any Predecessors arising out of any Asbestos Activity or any products containing ACM; and (iii) any other liabilities or obligations for which Sellers are obligated to provide indemnification to the Purchaser Group under Section 10.2(b).

ARTICLE III.
PURCHASE PRICE

3.1 Purchase Price – General

In consideration of the sale, conveyance, assignment and transfer of the Purchased Assets, at the Closing, Purchaser shall pay to ABM, on behalf of Sellers, an amount equal to thirty-two million dollars ($32,000,000) (the "**Closing Purchase Price**"). The Closing Purchase Price shall be paid at the Closing in immediately available funds by wire transfer. The Closing Purchase Price payable by Purchaser at the Closing will be subject to future adjustment as provided in Sections 3.2 and 3.3.

3.2 Closing Purchase Price Adjustments

(a) *Net Adjustment; Preparation of the Preceding Month End Balance Sheet.* As soon as reasonably practicable but not later than ninety (90) days after the Closing Date, Sellers shall prepare and deliver to Purchaser an unaudited balance sheet of CMS as of the end of the month ending immediately preceding the Closing Date (the "**Preceding Month End Balance Sheet**"), and (ii) the calculation of the Adjusted Net Assets, based upon the Preceding Month End Balance Sheet and the Agreed Accounting Principles as set forth on Schedule 3.2(a) of Sellers Disclosure Schedule ((i) and (ii) together, the "**Net Asset Adjustment Statements**"). The Preceding Month End Balance Sheet shall be prepared on a basis consistent with the preparation of the Balance Sheet, including the Agreed Accounting Principles and, as specified thereby, U.S. GAAP to the extent applicable. The calculation of Adjusted Net Assets shall be prepared on a basis consistent with the calculation of the Target Net Assets. In connection with Sellers' preparation of the Adjustment Statements, Sellers and their representatives shall have reasonable access during normal business hours to the Books and Records and personnel of the Business.

(b) *Stub Period Cash Adjustment; Preparation of Cash Change Schedule.* As soon as reasonably practicable but not later than sixty (60) days after the Closing Date, Sellers shall also deliver to Purchaser a schedule (the "**Cash Change Schedule**"), substantially in the form set forth on Schedule 3.2(b) of Sellers Disclosure Schedule, which shall set forth the Cash Change in the Business (the absolute value of such amount, the "**Cash Change Amount**"). Sellers shall prepare the Cash Change Schedule in good faith and in accordance with past practices of CMS and the Business. The Net Asset Adjustment Statements and the Cash Change Schedule shall be collectively known herein as the "**Adjustment Statements**". The parties understand and agree that the mechanism of the Cash Change adjustment is intended to reimburse Sellers with respect to Sellers' payment of Reimbursable Liabilities and Stub Period Operational Expenses to the extent Sellers pay any such amounts during the period from the date of the Preceding Month End Balance Sheet through and including the Closing Date. If any such Reimbursable Liabilities and Stub Period Operational Expenses are not reflected as paid by Sellers on the Cash Change Schedule, Purchaser shall pay such amounts to the Sellers, if and when such liabilities are paid by Sellers following the Closing Date, pursuant to the mechanics set forth in the Interim Services Agreement, as provided in Section 3.2(f) hereof.

(c) *Review of Adjustment Statements.* After delivery to it of the applicable Adjustment Statement(s), Purchaser (and its representatives) shall be afforded the opportunity to review the work papers, schedules and other supporting papers relating to the preparation of the Adjustment Statements and to consult with Sellers and their representatives, if necessary, regarding the methods used in the preparation thereof. Within thirty (30) days after Purchaser's receipt of the applicable Adjustment Statements Purchaser shall either inform the other in writing that the applicable Adjustment Statement is acceptable or object to such Adjustment Statement in writing setting forth a specific description of the objections and specifying in reasonable detail the nature and extent of such disagreement. Purchaser shall not give a notice of disagreement unless the aggregate amount in dispute exceeds fifteen thousand dollars ($15,000). The failure of Purchaser to deliver written objections to Sellers within thirty (30) days after receipt of the applicable Adjustment Statement shall be deemed acceptance of such Adjustment Statement. If Purchaser objects to the Adjustment Statement and if Sellers do not agree with such objections (it being agreed that the failure of Sellers to deliver written notice to Purchaser of Sellers' disagreement with Purchaser's objections within fifteen (15) days of receipt of such objections shall be deemed acceptance by Sellers failing to deliver notice), or such objections are not resolved on a mutually agreeable basis within thirty (30) days after the Sellers' receipt of such objections, any disagreement between the parties regarding the same shall be resolved by Deloitte & Touche LLP, but if Deloitte & Touche LLP is not available to serve, then an alternative unaffiliated accounting firm to be selected by the parties (the "**Neutral Accountant**"). The decision of the Neutral Accountant shall be (i) made within thirty (30) days of the submission of the dispute based solely on the presentations by Purchaser and Sellers, (ii) in accordance with this Agreement and (iii) final and binding upon the parties. Upon the agreement of the parties or the decision of the Neutral Accountant or Purchaser's failure to deliver a written objection to Sellers within the thirty (30) day period after receipt of the applicable Adjustment Statement provided above, the Preceding Month End Balance Sheet (as adjusted, if necessary) shall be deemed the Final Preceding Month End Balance Sheet (the "**Final Preceding Month End Balance Sheet**") and the determination of the Adjusted Net Assets shall be deemed final or the Cash Change Schedule and the determination of the Cash Change shall be deemed final, as the case may be. Each party shall bear the fees, costs and expenses of its own accountants and shall share equally the fees, costs and expenses of the Neutral Accountant.

(d) *Adjustment to the Closing Purchase Price; Payment.* Upon final determination in accordance with the procedures set forth in Section 3.2(c) (A) the Final Preceding Month End Balance Sheet and the Adjusted Net Assets and (B) the Cash Change Amount, a net payment, reflecting an adjustment to the Closing Purchase Price, shall be made by one party to the other according to the following rules:

(i) if the Adjusted Net Assets exceed the Target Net Assets, the amount of such excess shall be payable by Purchaser to Sellers, or

(ii) if the Adjusted Net Assets are less than the Target Net Assets, the amount of any deficiency shall be payable by Sellers to Purchaser; and

(iii) if the Cash Change is a net cash outflow (as reflected on the Cash Change Schedule), the Cash Change Amount shall be payable by Purchaser to Sellers, or

(iv) if the Cash Change is a net cash inflow (as reflected on the Cash Change Schedule), the Cash Change Amount shall be payable by Sellers to Purchaser.

Any adjustment to the Closing Purchase Price required under this Section 3.2(d) in respect of such net payment shall be made by wire transfer of immediately available funds within ten (10) days after the date that the final determination with respect to both of (A) the Adjusted Net Assets and (B) Cash Change Amount in accordance with Section 3.2(c), together with interest thereon from the Closing Date to the date of payment calculated at the prime rate in effect on the Closing Date as reported in the Wall Street Journal.

(e) Notwithstanding the foregoing, if the Closing occurs on the last Business Day of a month, there shall be no adjustment to the Closing Purchase Price made in respect of the Cash Change, and all references to the Cash Change, the Cash Change Amount, the Stub Period Operational Expenses and the Cash Change Schedule (other than in this Section 3.2(e)) shall not apply. In such event, the only adjustment to the Purchase Price shall be based upon the difference between the Target Net Assets and the Adjusted Net Assets. In addition, if the Closing occurs on the last Business Day of a month, the Preceding Month End Balance Sheet shall be as of the Closing Date, and not as of the end of the month ending immediately preceding the Closing Date.

(f) *Reimbursement for Final Preceding Month End Balance Sheet and Stub Period Operational Expenses.* To the extent Sellers pay any amounts in respect of (i) Reimbursable Liabilities or (ii) Stub Period Operational Expenses, Purchaser shall, at Sellers' request, promptly reimburse Sellers with respect thereto in accordance with the mechanics agreed upon in the Interim Services Agreement; provided that Purchaser shall not be obligated to reimburse Sellers with respect to such payments prior to the final determination of the Final Preceding Month End Balance Sheet and the Cash Change Schedule. Following the final determination of the Final Preceding Month End Balance Sheet and the Cash Change Schedule, Purchaser may, within a period of 15 days thereafter (with respect to requests for reimbursement made prior to such final determination) or 15 days following Sellers' request for reimbursement (with respect to requests for reimbursement made by Sellers to Purchaser after the final determination of the Final Preceding Month End Balance Sheet and the Cash Change Schedule) object to such reimbursement in writing to Sellers setting forth a specific description of the objections and specifying in reasonable detail the nature of the disagreement. The failure of Purchaser to deliver a written objection to Sellers within the applicable 15 day period shall be deemed agreement by Purchaser with respect to such amount requested, and Purchaser shall promptly reimburse Sellers with respect thereto. If Purchaser objects within the applicable 15 day period and the disagreement cannot be resolved by mutual agreement within 15 additional days following Sellers' receipt of such objection, the

disagreement shall be resolved by a Neutral Accountant. The decision of the Neutral Accountant with respect to any amount requested by Sellers for reimbursement in accordance with the foregoing provisions shall be (i) made within thirty (30) days of the submission of the dispute based solely on the presentations by Purchaser and Sellers, (ii) in accordance with this Agreement and (iii) final and binding upon the parties.

(g) *Water Treatment Services.* The parties understand that certain assets and liabilities related to the provision by CMS of water treatment services (which assets and liabilities are not being acquired by Purchaser as expressly provided above) have been included in the financial statements of CMS and will be included in the Final Preceding Month End Balance Sheet. The parties have not attempted to remove such assets and liabilities from such statements, because they believe in good faith that any resulting effect on the Purchase Price Adjustment would not be material.

3.3 Project Contracts

(a) In the event that Purchaser in the course of completing all Assumed Contracts relating to project work (the "**Project Contracts**") incurs costs with respect to such Project Contracts, which together with the costs incurred by the Business prior to the Closing Date with respect to such Project Contracts (such costs together, the "**Incurred Costs**"), are in excess of the total sales prices of all such Project Contracts in the aggregate (such excess, the "**Project Losses**"), Purchaser shall be permitted to recover the amount of such Project Losses from Sellers; provided that for purposes of determining costs incurred for any particular Project Contract the Agreed Accounting Principles shall govern and an overhead allocation calculated in accordance with the Agreed Accounting Principles shall be included. Notwithstanding the foregoing, and subject to Section 9.5, in no event will Purchaser be able to collect any Project Losses unless and until the total amount of Project Losses exceeds $300,000 (but only in the amount of such excess). Schedule 3.3(a) of Sellers Disclosure Schedule sets forth a list of CMS's portfolio of Project Contracts as of April 1, 2005, and Sellers (within 60 days following the Closing Date) shall update such schedule as of the Closing Date for new Project Contracts obtained between April 1, 2005 and May 31, 2005. In connection with Sellers' preparation of such updated Schedule 3.3(a) of Sellers Disclosure Schedule, Sellers and their representatives shall have reasonable access during normal business hours to the Books and Records and personnel of the Business.

(b) Following the Closing Date, Purchaser shall provide Sellers with written reports on a consistent quarterly basis as to (i) whether or not Project Losses then exist, (ii) whether any particular Project Contract has either (a) resulted in incurred costs in respect of such contract in excess of the sales price under such contract or (b) in Purchaser's reasonable judgment, based on past experience and generally accepted industry practices, is likely to begin resulting in costs that, together with previously incurred costs in respect of such contract, will exceed the sales price under such contract, and (iii) the cumulative revenue and expense recognized (as determined in accordance with the Agreed Accounting Principles and, as specified thereby, U.S. GAAP to the extent applicable) since the Closing Date with respect to each Project Contract, and the projected completion date of each such contract.

(c) As soon as reasonably practicable but not later than sixty (60) days after the completion of all Project Contracts included on Schedule 3.3(a) of Sellers Disclosure Schedule (as updated), Purchaser shall prepare and deliver to Sellers a statement (the "**Project Losses Statement**") setting forth the Project Losses and a table including the sales price and incurred costs for each such Project Contract listed on Schedule 3.3(a) of Sellers Disclosure Schedule. Sellers shall have a right to inspect Purchaser's records with respect to incurred costs and payments received if recovery for any Project Losses applies in accordance with Section 3.3(a).

(d) After delivery to Sellers of the Project Losses Statement, Sellers (and their representatives) shall be afforded the opportunity to review the work papers, schedules and other supporting papers relating to the Project Losses Statement delivered by the Purchaser and to consult with the Purchaser and its representatives, if necessary, regarding the methods used in the preparation thereof. Within thirty (30) days after Sellers receipt of the Project Losses Statement, Sellers shall either inform the Purchaser in writing that the Project Losses Statement is acceptable or object to the Project Losses Statement in writing setting forth a specific description of the objections and specifying in reasonable detail the nature and extent of such disagreement. Such disagreement and final resolution of the amount of Project Losses shall be determined consistent with the procedures described in Section 3.2(c) above.

(e) Purchaser shall use commercially reasonable efforts to perform and complete the Project Contracts in accordance with the terms and conditions of such contracts, generally accepted industry practices and otherwise in good faith and consistent with the past practices of the Business and Purchaser with respect to Project Contracts.

ARTICLE IV.
THE CLOSING

4.1 Time and Place of Closing

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, the closing of the transactions contemplated by this Agreement (the **"Closing"**) will take place at 1:00 P.M. (New York time) on such date as the parties may agree. Subject to the conditions herein, the parties will make commercially reasonable efforts to cause Closing to occur on May 31, 2005. The date and time at which the Closing actually occurs is hereinafter referred to as the "**Closing Date**." The Closing shall be considered effective as of 11:59 P.M. (New York time) on the Closing Date.

4.2 Deliveries by Sellers

At the Closing, Sellers shall deliver the following to Purchaser:

(a) The Bill of Sale, duly executed by Sellers;

(b) Executed consents, applications or other documents to transfer the Assumed Contracts, Assumed Leases and the Permits as disclosed on Schedule 5.7 of Sellers Disclosure Schedule;

(c) The certificate contemplated by Section 8.2(d);

(d) All such other instruments of assignment or conveyance as shall, in the reasonable opinion of Purchaser and its counsel, be necessary to transfer to Purchaser the Purchased Assets in accordance with this Agreement and, where necessary or desirable, in recordable form;

(e) A certification of non-foreign status in a form which complies with Section 1445 of the Code and the regulations thereunder;

(f) The Interim Services Agreement, duly executed by Sellers;

(g) Such other agreements, documents, instruments and writings as are required to be delivered by Sellers at or prior to the Closing Date pursuant to this Agreement or as may otherwise be required to transfer the Purchased Assets to Purchaser in connection herewith;

(h) The Employee Services Loan Agreement, duly executed by Sellers;

(i) A written legal opinion of the general counsel of ABM, dated as of the Closing Date, with respect to the matters set forth in Sections 5.1 and 5.2; and

(j) A lease and a sublease with respect to the Partially Utilized Facilities as described in Section 7.9, which shall be executed by the parties simultaneous with the Closing.

4.3 Deliveries by Purchaser

At the Closing, Purchaser shall deliver the following to Sellers:

(a) The Closing Purchase Price by wire transfer of immediately available funds to ABM;

(b) The certificate contemplated by Section 8.3(c);

(c) The Instrument of Assumption, duly executed by Purchaser;

(d) The Interim Services Agreement, duly executed by Purchaser;

(e) The Employee Services Loan Agreement, duly executed by Purchaser;

(f) Any other instruments or writings, as shall, in the reasonable opinion of Sellers, be necessary for Purchaser to be legally bound to fulfill its obligations under Section 2.3 hereof; and

(g) All such other agreements, documents, instruments and writings as may be required to be delivered by Purchaser at or prior to the Closing Date pursuant to this Agreement or otherwise required in connection herewith.

ARTICLE V.
REPRESENTATIONS AND WARRANTIES OF SELLERS

Except as set forth in Sellers Disclosure Schedule prepared by Sellers and delivered to Purchaser simultaneously with the execution hereof, each Seller, jointly and severally, hereby represents and warrants to Purchaser the following:

5.1 Organization; Qualification

Each Seller is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each Seller has all requisite corporate power and authority to own, lease, and operate the Purchased Assets and to carry on the Business as it is now being conducted by such Seller. Each Seller is duly qualified to do business and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties of the Business owned or used by it requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect.

5.2 Authority Relative to this Agreement

Each Seller has full corporate power and authority to execute and deliver this Agreement and all other agreements and documents contemplated hereby to be delivered by such party (as to any party hereto, the "**Ancillary Documents**") and to consummate the transactions contemplated hereby and by the Ancillary Documents. The execution and delivery of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and by the Ancillary Documents have been duly and validly authorized and approved by all requisite corporate action and no other corporate proceedings on the part of any Seller is necessary to authorize this Agreement, the Ancillary Documents, or to consummate the transactions contemplated hereby and by the Ancillary Documents. This Agreement has been duly executed and delivered by each Seller and at the Closing each Seller will have executed and delivered its respective Ancillary Documents. Assuming due authorization, execution and delivery by Purchaser of this Agreement and the Ancillary Documents, this Agreement constitutes, and, upon their execution and delivery the Ancillary Documents will constitute, valid and binding obligations of each Seller, enforceable against each Seller in accordance with their respective terms.

5.3 Consents and Approvals; No Violation

Except as set forth on Schedule 5.3 of Sellers Disclosure Schedule, the execution and delivery of this Agreement and the Ancillary Documents by each Seller, the consummation by each Seller of the transactions contemplated by this Agreement or the compliance of each Seller with the provisions of this Agreement will not (a) conflict with or result in any breach of

any provision of the articles of organization or by-laws of such Seller or result in the creation of any Encumbrance (other than any Permitted Encumbrance) upon any of the Purchased Assets pursuant to any mortgage, indenture, lease agreement or other instrument to which either Seller is a party, (b) require any consent, approval, waiver, filing with or notification to, any Governmental Authority except (i) where the failure to obtain such consent, approval, or waiver, or to make such filing or notification, would not have a Material Adverse Effect or (ii) for those requirements which become applicable to such Seller as a result of the specific regulatory status of Purchaser (or any of its Affiliates) or as a result of any other facts that specifically relate to the business or activities in which Purchaser (or any of its Affiliates) are or propose to be engaged; (c) result in a violation or breach of or default (or give rise to any right of termination, cancellation or acceleration) under, or require any consent under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, agreement or other instrument or obligation to which such Seller is a party or by which such Seller, or any of the Purchased Assets may be bound, except for such instances where requisite waivers or consents have been obtained or which, in the aggregate, would not have a Material Adverse Effect; or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to such Seller, or any of the Purchased Assets, except for violations that would not have a Material Adverse Effect.

5.4 Absence of Certain Changes or Events

Except as otherwise contemplated by this Agreement or as set forth on Schedule 5.4 of Sellers Disclosure Schedule, since October 31, 2004 Sellers have conducted the Business in the ordinary course consistent with past practices and there has not been (a) any Material Adverse Effect; (b) any damage, destruction or casualty loss, whether covered by insurance or not, which had a Material Adverse Effect; and (c) any entry into any agreement, commitment or transaction (including, without limitation, any borrowing or capital financing) by Sellers, which is material to the business or operations of the Purchased Assets, except agreements, commitments or transactions in the ordinary course of business or as contemplated herein.

5.5 Labor Matters

(a) Except for such matters as do not have Material Adverse Effect, with respect to employees of Sellers who perform services relating to the Business: (i) Sellers are in compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment and wages and hours; (ii) there is no labor strike, slowdown or stoppage actually pending or to the Sellers' Knowledge threatened against or affecting Sellers; and (iii) Sellers have not received notice that any representation petition respecting the Employees has been filed with the National Labor Relations Board.

(b) Schedule 5.5(b) of Sellers Disclosure Schedule lists all collective bargaining agreements with any labor organization, union group or association ("**Labor Unions**") directly relating to the Business and to which Sellers are a party as of the date hereof.

5.6 Employee Benefit Plans Schedule 5.6 of Sellers Disclosure Schedule contains a true and complete list of each deferred compensation, bonus or other incentive

compensation plan, program, agreement or arrangement; each severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of Section 3(1) of ERISA); each profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA); each employment termination or severance agreement; and each other employee benefit plan, fund, program, agreement or arrangement, in each case, that is sponsored, maintained or contributed to or required to be contributed to by any Seller or any ERISA Affiliate or to which any Seller or any ERISA Affiliate is a party, whether written or oral, for the benefit of any Employee or any director or independent contractor of any Seller whose services are related primarily to the operation of the Business as of the date hereof (the "**Seller Plans**").

(b) The Seller Plans have at all times complied with all Applicable Laws, including, without limitation, the Code and ERISA and except as provided in Section 7.6 hereof, Purchaser shall have no liability with respect to Seller Plans. The Sellers Savings Plans have been determined by the Internal Revenue Service to be qualified under Section 401(a) of the Code, and each trust related thereto has been determined to be exempt from tax pursuant to Section 501(a) of the Code. Sellers have made all employee and employer contributions required to be made to Sellers Savings Plans as of the Closing Date. To the extent Sellers have not made all such contributions, the liability for such contributions shall be properly and fully reflected on the Final Preceding Month End Balance Sheet and on the Business' financial records as of the Closing Date.

(c) Neither any Seller nor any ERISA Affiliate maintains or contributes to, nor has any Seller or any ERISA Affiliate ever maintained or contributed to, any plan subject to Title IV or Section 302 of ERISA with respect to any Employee, other than a Multiemployer Plan.

(d) Schedule 5.6 of Sellers Disclosure Schedule identifies each Seller Plan which is a "multiemployer plan" within the meaning of Section 3(37) of ERISA ("**Multiemployer Plan**"). With respect to each Multiemployer Plan and, except as set forth on Schedule 5.6 of Sellers Disclosure Schedule, (A) neither any Seller nor any ERISA Affiliate has withdrawn, partially withdrawn, or received any notice of any claim or demand for withdrawal liability or partial withdrawal liability; (B) neither any Seller nor any ERISA Affiliate has received any notice that such Multiemployer Plan is in reorganization, that increased contributions may be required to avoid a reduction in plan benefits or the imposition of any excise tax, or that any such plan is or may become insolvent; (C) neither any Seller nor any ERISA Affiliate has failed to make any required contributions; (D) to the Sellers' Knowledge such Multiemployer Plan is not a party to any pending merger or asset or liability transfer; (E) to the Sellers' Knowledge there are no proceedings with or involving the Pension Benefit Guaranty Corporation against or affecting such Multiemployer Plan; and (F) neither any Seller nor any ERISA Affiliate has any withdrawal liability by reason of a sale of assets pursuant to Section 4204 of ERISA.

(e) The consummation of the transactions contemplated by this Agreement will not, either alone or in combination with another event, (i) entitle any current or

former employee or officer of the Business to severance pay, unemployment compensation or any other payment, except as expressly provided in this Agreement, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

(f) Purchaser shall have no liability (i) under the Consolidated Omnibus Budget Reconciliation Act of 1985 with respect to any employee of Sellers who has a qualifying event under COBRA before the hire date of the Immediately Hired or the Transferred Employees or (ii) with respect to any post-employment benefits provided by any Seller or any ERISA Affiliate to their employees, former employees or retirees.

(g) There are no pending, threatened or anticipated claims by or on behalf of any Seller Plan (other than a Multiemployer Plan), by any employee or beneficiary covered under any such Seller Plan, or otherwise involving any such Seller Plan (other than routine claims for benefits).

5.7 Material Contracts and Arrangements

Schedule 5.7 of Sellers Disclosure Schedule sets forth (a)(i) contracts that generate annual revenues of $100,000 or more for maintenance services and related service extras provided by the Sellers related to the Business (the "**Material Service Contracts**") and (ii) Project Contracts with, to Sellers' Knowledge, unearned revenue as of April 1, 2005 of $100,000 or more in respect of project services, as calculated in accordance with the accounting practices of Sellers (the "**Material Project Contracts**"), (b) all joint venture or partnership agreements primarily related to the Business to which Sellers are a party, (c) all agreements restricting the right of Sellers or Business to compete with third parties, and (d) all other material contracts included in the Purchased Assets (all of the foregoing in clauses (a) through (d) collectively, the "**Material Contracts**"). As of the date hereof, Sellers are not in material breach of any of their obligations under the Material Contracts, and no event has occurred which constitutes or, with the lapse of time, the giving of notice, or both, would constitute, such a material breach or a material violation or material default by Sellers thereunder. There are no material contracts by and between Sellers and the United States federal, state or local governments related to the Business. All Material Contracts shall be included in the Assumed Contracts or Assumed Leases. Immediately after Closing, no Material Contract will have ABM or any Affiliate of ABM as a party thereto (except that CMS may continue to be deemed to be a party to those Material Contracts that prohibit assignment if consent is not obtained from the other parties thereto; provided, however that after Closing Purchaser shall receive the full and exclusive benefit of all of CMS's rights under all Material Contracts as provided in Section 2.1(a)). No Material Contract has been terminated or, to Sellers' Knowledge, will be terminated in the reasonable foreseeable future or are being renegotiated (other than contracts that expressly contain month-to-month terms). Sellers have not received any written notice of any actual or threatened cancellation or termination of any Material Contract.

5.8 Legal Proceedings, etc.

There are no claims, actions, or proceedings pending or to Sellers' Knowledge, investigation pending or, to Sellers' Knowledge threatened against Sellers, relating to the

Business or the Purchased Assets before any Governmental Authority or other tribunals, which, if adversely determined, would have a Material Adverse Effect. Schedule 2.4(b) of Sellers Disclosure Schedule sets forth all actions, claims, suits or proceedings of or involving third parties relating to the Business which have been brought or filed as of the date of this Agreement. Except as set forth on Schedule 5.8 of Sellers Disclosure Schedule, Sellers are not subject to any outstanding judgment, rule, order, writ, injunction or decree of any Governmental Authority relating to the Business and the Purchased Assets which has a Material Adverse Effect.

5.9 Compliance with Law

The Business is not being and has not been conducted in material violation of any material Applicable Law or any order, writ, injunction or decree of any court or Governmental Authority. The Business has all material permits, certifications, licenses, approvals, orders, consents and other authorizations of any Governmental Authority necessary to conduct its business as currently conducted (collectively, the "**Permits**"). The Business is not in material violation of the terms of any Permit. Except as would not have, individually or in the aggregate, a Material Adverse Effect, all property that is the subject of Assumed Contracts have been maintained in accordance with (i) the material terms and conditions of the applicable Assumed Contracts, (ii) Sellers' policies and procedures with respect to the Business and (iii) generally accepted industry standards prevailing as of the date hereof and no written notice of a material violation of a material Applicable Law has been received with respect to the condition of any such property as of the date hereof.

5.10 Taxes

(a) Except as set forth on Schedule 5.10(a) of Sellers Disclosure Schedule, to the extent that under Applicable Laws the failure of this representation to be true or correct could result in an Encumbrance upon or claim against the Purchased Assets or in a claim against Purchaser as transferee or owner of the Purchased Assets: (i) Sellers have filed or have caused to be filed on a timely basis all Tax Returns that are or were required to be filed with respect to the Purchased Assets and the operation of the Business; (ii) all such Tax Returns were correct in all material respects and accurately reflect in all material respects all liability for Taxes for the periods covered thereby; and (iii) all Taxes due and payable by Sellers with respect to the Purchased Assets and the operation of the Business shown in such Tax Returns have been paid; and (iv) there are no Encumbrances for Taxes upon the Purchased Assets except for Permitted Encumbrances.

(b) Except as set forth on Schedule 5.10(b) of Sellers Disclosure Schedule, to the extent that under Applicable Laws the failure of this representation to be true or correct could result in an Encumbrance upon or claim against the Purchased Assets or in a claim against Purchaser as transferee or owner of the Purchased Assets: CMS and, with respect to the Business, ABM and any Affiliate of ABM, have complied in all material respects with all Applicable Laws relating to the withholding and payment of Taxes and have, within the time and the manner prescribed by law, withheld and paid to the proper taxing authorities all amounts required to be so withheld and paid under Applicable Laws.

5.11 Intellectual Property; Intangible Assets

Sellers have assigned, or at Closing will have assigned, ownership of, or such rights by license or other agreement to use, all of the intellectual property and the intangible assets owned by Sellers as are necessary to permit the Business to conduct its business as currently conducted. Sellers do not license from a third party any intellectual property or intangible assets that are material to the Business. Except as would not have a Material Adverse Effect, (i) to Sellers' Knowledge, the conduct of the Business as currently conducted does not infringe upon the proprietary rights of any third party Person and (ii) there are no present or, to Sellers' Knowledge, threatened infringements relating to the intellectual property and the intangible assets owned by Sellers by any third party Person. There are no pending or, to Sellers' Knowledge, threatened proceedings or litigation or other adverse claims by any Person against the use by the Business of any intellectual property or any intangible assets except as would not have a Material Adverse Effect. Sellers are the sole owners of the US service mark registration 1,174,548, for the mark COMMAIR and all rights therein (the **"Registration"**) free and clear of any liens, security interests, licenses or other encumbrances. To the best of Sellers' Knowledge, COMMAIR has been used on a regular and continuous basis, in connection with HVAC services, by the owner of the Registration, since the date of first use recited in the Registration. Neither Sellers nor any of their predecessors in interest have taken any actions intended to cause an abandonment of the rights in the mark COMMAIR and the Registration.

5.12 Brokers; Finders Fees

There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Sellers or the Business who is entitled to any fee or commission from Sellers in connection with the transactions contemplated by this Agreement.

5.13 Financial Information

The financial information of CMS heretofore provided to Purchaser and set forth on Schedule 5.13 of Sellers Disclosure Schedule, including the unaudited balance sheet and income statements of CMS as of October 31, 2004, the Balance Sheet and the statements of earnings and cash flows of CMS for the four month period ended February 28, 2005, present fairly, in all material respects, the financial position and the results of operations and cash flows of CMS as of the dates and for the periods presented in conformity with U.S. generally accepted accounting principles ("**U.S. GAAP**") (except as indicated on Schedule 5.13 of Sellers Disclosure Schedule), subject, in the case of the Balance Sheet, to normal end of period adjustments, none of which, individually or in the aggregate, will be material.

5.14 No Undisclosed Liabilities

Except as set forth on Schedule 5.14 of Sellers Disclosure Schedule or except for the Excluded Liabilities, Sellers have no debts, liabilities or obligations with respect to the Business of any nature whatsoever (whether absolute, accrued, contingent or otherwise) except (i) liabilities which are reflected or reserved against on the Balance Sheet, (ii) liabilities incurred in the ordinary course of business and consistent with past practice since the date of the Balance

Sheet and (iii) liabilities which in the aggregate would not have a Material Adverse Effect. Schedule 5.14 also sets forth a list of all Performance Bonds.

5.15 Title to Purchased Assets; Sufficiency of Assets

Except as disclosed on Schedule 5.15 of Sellers Disclosure Schedule, Sellers have good title to, or, with respect to leasehold interests, a valid leasehold interest in the Purchased Assets and the Assumed Leases, as the case may be, free and clear of all Encumbrances, except for Permitted Encumbrances and such imperfections of title, liens, covenants, restrictions and easements that would not, individually or in the aggregate, materially detract from the value of the properties or assets subject thereto and do not interfere with the present and continued use of such property or assets or the operation of the Business. Sellers have the power and right to sell, assign, transfer and deliver to Purchaser the Purchased Assets and the Assumed Leases, except with respect to such items that would not, individually or in the aggregate, materially detract from the value of the properties or assets subject thereto and do not interfere with the present and continued use of such property or assets or the operation of the Business. The Ancillary Documents, Bill of Sale, Instrument of Assumption, and any other deeds, endorsements, assignments and other instruments to be executed and delivered to Purchaser by Sellers at the Closing, will be the valid and binding obligations of Sellers enforceable in accordance with their terms. The Purchased Assets (taken together with the Interim Services Agreement) are sufficient to conduct the Business as it is presently conducted by Sellers. Schedule 5.15 identifies the location of all tangible personal property included in the Purchased Assets.

5.16 Environmental

(a) The Purchased Assets and Business are and have been in material compliance with all applicable Environmental Laws, except where such non-compliance would not be reasonably expected to have a Material Adverse Effect;

(b) Sellers have obtained and are in compliance with all Permits required under applicable Environmental Laws, except for the failure to have obtained such Permits, or be in compliance with such laws, as would not be reasonably expected to have a Material Adverse Effect and there are no actions pending, or to Sellers' Knowledge threatened, to revoke, suspend, modify or limit any such Permit;

(c) To Sellers' Knowledge there are no claims, actions, proceedings, or investigations pending, or threatened, against Sellers relating to the Purchased Assets or the Business arising under any Environmental Law except for such claims, actions, proceedings or investigations that have been fully resolved with no future liability or obligation on the part of the Business or that are not reasonably likely to result in a Material Adverse Effect;

(d) To Sellers' Knowledge, no Asbestos Activity or releases of Regulated Substances have occurred at any of the Purchased Assets or in connection with the operation of the Business which are likely to result in imposition of liability for cleanup, personal injury, property damage or natural resource damage that would reasonably be expected to have a Material Adverse Effect;

(e) Sellers have not received any written notice from any person or Governmental Authority that Sellers may be potentially liable under any Environmental Law for response actions or natural resource damages at any location arising out of conditions at the Purchased Assets or relating to past or current operations of the Business except with respect to such matters that have been fully resolved with no future liability or obligation on the part of the Business or that are not reasonably likely to result in a Material Adverse Effect; and

(f) The representations and warranties set forth in this Section 5.16 are the Sellers' sole and exclusive representations and warranties with respect to environmental matters.

5.17 Real Property Other than the commercial real property located at 5433 East Hedges Avenue, Fresno, California, Sellers do not own any real property primarily relating to the Business. Sellers are the lessees of all the leasehold estates purported to be granted by the leases shown on Schedule 5.17 of Sellers Disclosure Schedule, and Sellers are in possession of the premises purported to be leased under such leases.

ARTICLE VI.
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Sellers as follows:

6.1 Organization

Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Purchaser has heretofore delivered to Sellers complete and correct copies of its Certificate of Incorporation and By-Laws (or other similar governing documents), as currently in effect.

6.2 Authority Relative to This Agreement

Purchaser has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all required corporation action of Purchaser and no other corporate proceedings on the part of Purchaser or any Affiliates of Purchaser are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser, and assuming due authorization, execution and delivery by Sellers, constitutes a valid and binding agreement of Purchaser, enforceable against Purchaser in accordance with its terms.

6.3 Consents and Approvals; No Violation

None of the execution and delivery of this Agreement by Purchaser, the consummation by Purchaser of the transactions contemplated by this Agreement or the compliance of Purchaser with the provisions of this Agreement will (i) conflict with or result in any breach of any provision of the organizational documents of Purchaser; (ii) require any consent, approval, waiver or filing with or notification to any Governmental Authority; (iii) result in a violation or breach of or default (or give rise to any right of termination, cancellation or acceleration) under, or require any consent under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, agreement, lease or other instrument or obligation to which Purchaser or any of its Affiliates are a party or by which any of its respective assets may be bound; or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Purchaser, or any of its assets, except in the case of (iii) or (iv) for violations which would not individually or in the aggregate reasonably be expected to prevent or materially delay the consummation of the transactions contemplated hereby.

6.4 Legal Proceedings, etc.

There are no claims, actions or proceedings pending or to Purchaser's Knowledge investigations pending or threatened against Purchaser before any Governmental Authority, which, if adversely determined, could prevent or materially delay the consummation of the transactions contemplated hereby. Purchaser is not subject to any outstanding judgment, rule, order, writ, injunction or decree of any Governmental Authority that could prevent or materially delay the consummation of the transactions contemplated hereby.

6.5 Financial Capacity

On and after the date hereof, Purchaser has, and will have, cash on hand sufficient to pay at the Closing Purchase Price and to perform the obligations of Purchaser under this Agreement.

6.6 Brokers, Finders Fees

There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Purchaser who is entitled to any fee or commission from Purchaser in connection with the transactions contemplated by this Agreement.

ARTICLE VII.
COVENANTS OF THE PARTIES

7.1 Access to Information after Closing

(a) Following the Closing Date, (A) Sellers and their representatives shall have reasonable access to any of the Books and Records transferred to Purchaser hereunder to the extent that such access may reasonably be required by Sellers in connection with matters relating to or affected by the operation of the Business or the

Purchased Assets prior to the Closing Date, and (B) Purchaser and its representatives shall have reasonable access to the Excluded Records, and to the extent reasonably required by Purchaser in good faith, other limited Books and Records retained by Sellers primarily related to the Business (but excluding, in any case, the portion of Excluded Records pertaining to personnel records of former employees of the Business) to the extent such access may reasonably be required by Purchaser in connection with matters relating to or affected by the operation of the Business or the Purchased Assets after the Closing Date. In addition, Sellers and their representatives shall have reasonable access to any of the Books and Records transferred to Purchaser hereunder or to the personnel of the Business to the extent that such access may reasonably be required by Sellers in connection with Sellers' preparation of (i) the Adjustment Statements pursuant to Section 3.2(a) or (ii) ABM's fiscal year 2005 legal and regulatory filings, including its Quarterly Reports on Form 10-Q for the quarters ending April 30, 2005 and July 31, 2005, and its Annual Report on Form 10-K, and, further, Sellers shall appoint one of its employees (anticipated to be Michael Hennessy, the Controller of CMS) to remain full time in the Head Office for up to forty-five (45) days following the Closing Date to assist in the preparation of the Preceding Month End Balance Sheet and the Adjustment Statements, and to assist in the transition of accounting services for the Business from Sellers to Purchaser. The access under this Section 7.1(a) shall be afforded by Purchaser and Sellers to the other party upon receipt of reasonable advance notice and during normal business hours. The party requesting such access shall be responsible for any costs or expenses incurred by it pursuant to this Section 7.1(a). All access hereunder shall be subject to the Confidentiality Agreement.

(b) If (i) Purchaser shall desire to dispose of any Books and Records transferred to Purchaser hereunder or (ii) Sellers shall desire to dispose of the Excluded Records (other than the Excluded Records pertaining to personnel records of former employees of the Business) or, to the extent Purchaser has requested access pursuant to Section 7.1(a), other limited Books and Records retained by Sellers primarily related to the Business, within five (5) years following the Closing Date, such party shall, prior to such disposition, give the other party a reasonable opportunity at the other party's expense, to segregate and remove such Books and Records as the other party may select.

7.2 Expenses

Except to the extent specifically provided herein, whether or not the transactions contemplated hereby are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the party incurring such costs and expenses.

7.3 Further Assurances

Subject to the terms and conditions of this Agreement, each of the parties hereto will use all commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under Applicable Laws and regulations to consummate the transactions contemplated by this Agreement and make effective the sale of the Purchased Assets pursuant to this Agreement. From time to time after the date

hereof, without further consideration, Sellers will, at their own expense, execute and deliver such documents to Purchaser as Purchaser may reasonably request in order more effectively to vest in Purchaser good title to the Purchased Assets. From time to time after the date hereof, Purchaser will, at its own expense, execute and deliver such documents to Sellers as Sellers may reasonably request in order to more effectively consummate the sale of the Purchased Assets pursuant to this Agreement.

7.4 Public Statements

The parties shall consult with each other prior to issuing any public announcement, statement or other disclosure with respect to this Agreement or the transactions contemplated hereby and shall not issue any such public announcement, statement or other disclosure prior to such consultation; provided that nothing herein shall require any approval by the other party and the length of any such consultation shall be in the sole discretion of the party issuing such public announcement.

7.5 Tax Matters

(a) Purchaser and Sellers agree to furnish or cause to be furnished to each other, promptly upon request, any information and assistance relating to the Business or the Purchased Assets as may be reasonably requested by the other party in connection with the filing of any Tax Return, the preparation for any audit or other examination by any Governmental Authority, the mailing or filing of any notice and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return or any other matter related to Taxes with respect to the Business and the Purchased Assets. Purchaser and Sellers shall cooperate with each other in the conduct of any audit or other proceeding related to Taxes involving the Business or the Purchased Assets whether prior to or after the Closing. Purchaser further agrees to (i) retain within its possession any other information regarding Taxes relating to the Business or the Purchased Assets for any taxable period or portion thereof ending on or before the Closing (the "**Tax Information**") until the date that is six (6) years after the Closing Date, (ii) maintain the Tax Information in such manner so as to enable Sellers to have prompt and complete access thereto; provided, however, that Sellers must bear all costs incurred in accessing such Tax Information, and (iii) not destroy any Tax Information without first offering such information to Sellers.

(b) Notwithstanding any other provision of this Agreement, Sellers and Purchaser shall cooperate in the preparation, execution and filing of all Tax Returns regarding any Transfer Taxes that become payable in connection with the purchase of the Purchased Assets contemplated by this Agreement. For purposes of this Agreement, "**Transfer Taxes**" shall mean all transfer, documenting, stamp or registration Taxes applicable to the purchase of the Purchased Assets contemplated hereby. All such Transfer Taxes shall be paid when due one-half (1/2) by Sellers and one-half (1/2) by Purchaser, and Sellers shall, at their own expense, file, to the extent required by Applicable Law, all necessary Tax Returns with respect to all such Transfer Taxes, and, if required by Applicable Law, Purchaser shall join in the execution of any such Tax Returns; provided, however, that prior to filing any Tax Return relating to Transfer Taxes

Sellers shall provide to Purchaser for its review and comment a copy of any such Tax Return at least fifteen (15) days prior to the date such Tax Return is filed or required to be filed and Sellers shall amend such Tax Return as reasonably requested by Purchaser (provided Purchaser's comments are received at least five (5) days prior to the due date, without extensions, for filing the relevant Tax Return). If governing law does not allow Sellers, but requires Purchaser, to file a Tax Return with respect to a Transfer Tax for which Sellers and Purchaser are liable under this Agreement, Purchaser shall prepare such Tax Return, present such Tax Return to Sellers for review and comment at least fifteen (15) days prior to the date such Tax Return is filed or required to be filed and Purchaser shall amend such Tax Return as reasonably requested by Sellers (provided Sellers comments are received at least five (5) days prior to the due date, without extensions, for filing the relevant Tax Return). Sellers shall join in the execution of any such Tax Returns if required by Applicable Law.

(c) Purchaser shall prepare a schedule that allocates the Closing Purchase Price and Assumed Liabilities consistent with Section 1060 of the Code and the Treasury Regulations thereunder (the "**Allocation Schedule**") within sixty (60) days after the Closing Date and submit it to Sellers. Sellers may dispute the Allocation Schedule; provided, however, that if Sellers fail to notify Purchaser in writing of the disputed amount, and the basis of such dispute, within ten (10) days of receipt of the Allocation Schedule, the Allocation Schedule shall be incorporated herein as if part of this Agreement. If Sellers timely notify Purchaser of any such dispute, Sellers and Purchaser shall cooperate and use their commercially reasonable efforts in reaching a mutually satisfactory agreement regarding the Allocation Schedule. If Sellers and Purchaser are unable to reach a mutually satisfactory agreement regarding the Allocation Schedule, then Sellers and Purchaser shall submit in writing any matters in dispute to the Neutral Accountant, which Neutral Accountant will resolve the dispute in a fair and equitable manner within thirty (30) days after Purchaser and Sellers have presented their arguments to the Neutral Accountant, which decision shall be final, conclusive and binding on Purchaser and Sellers. Purchaser and Sellers each agree to file Internal Revenue Service Form 8594 and all Tax Returns in accordance with such agreed allocation unless otherwise required by Applicable Law. Each of Purchaser and Sellers shall report the transactions contemplated by this Agreement for Tax purposes in a manner consistent with the allocation determined pursuant to this Section 7.5(c). Each of Purchaser and Sellers agree to provide the other promptly with any other information required to complete Form 8594. Each of Purchaser and Sellers shall notify and provide the other with reasonable assistance in the event of an examination, audit or other proceeding regarding the agreed upon allocation of the Closing Purchase Price.

(d) Sellers agree that Purchaser is not assuming liability for Other Taxes but only agreeing to reimburse Sellers at Sellers request with respect to Sellers' payment following the Closing of any Other Taxes reflected on the Preceding Month End Balance Sheet; it being understood by the parties that the obligation to file returns with respect to and pay, any such Taxes shall be retained by Sellers in accordance with the provisions of 2.4(e).

7.6 Employees

(a) As of the Closing, Purchaser shall take all necessary steps to ensure the Transferred Employees are covered by Purchaser's National Agreement with the United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States. Purchaser shall execute any and all documents necessary to effectuate the Transferred Employees' coverage by the National Agreement with United Association as well as any related United Association local agreement(s) also in effect. Purchaser shall ensure that there will be no lapse in coverage of the Transferred Employees by the applicable union agreement(s) and no loss of wages or benefits by the Transferred Employees as a result of the Transferred Employees' coverage by Purchaser's national or local agreements with United Association.

(b) (i) Prior to the Closing Date, Purchaser shall furnish to Sellers the names of all Employees (not to exceed ten) who, following the Closing Date, will be offered immediate employment with Purchaser or an Affiliate of Purchaser (the "**Immediately Hired Employees**". For a period of at least one (1) year following the Closing Date, Purchaser shall cause each such Immediately Hired Employee who accepts and commences employment with Purchaser or an Affiliate of Purchaser as of the Closing, to the extent that such Immediately Hired Employee remains employed during such period, to be provided with salary, wages, and employee benefit arrangements that shall be at least substantially equivalent, on an aggregate basis, to the compensation and benefits provided by Purchaser to its similarly situated employees; provided that the foregoing provision shall not apply to any Immediately Hired Employees subject to a collective bargaining agreement.

(ii) All Employees other than the Immediately Hired Employees (the "**Assigned Employees**") shall continue employment with Sellers pursuant to the Employee Services Loan Agreement, and upon the expiration of the Employee Services Loan Agreement each such Employee (other than Employees listed on Schedule 7.6(b) of Sellers Disclosure Schedule (the "**Excluded Employees**")) will be offered employment with Purchaser or an Affiliate of Purchaser. For a period of at least one year following expiration of the Employee Services Loan Agreement, Purchaser shall cause each Assigned Employee who accepted and commenced employment with Purchaser or an Affiliate of Purchaser following expiration of the Employee Services Loan Agreement, to the extent that such Assigned Employee remains employed during such period, to be provided with salary, wages, and employee benefit arrangements that shall be at least substantially equivalent, on an aggregate basis, to the compensation and benefits provided by Purchaser to its similarly situated employees; provided that the foregoing provision shall not apply to any Assigned Employees who become parties to any employment agreements with Purchaser or individuals subject to a collective bargaining agreement. Sellers shall offer to the Assigned Employees the opportunity to cash out their vacation prior to termination of the term of the Employee Services Loan Agreement. All of the Employees who accept employment with Purchaser or an Affiliate of Purchaser pursuant to Sections 7.6(b)(i) or (ii) shall hereinafter be referred to as the "**Transferred Employees**".

(iii) Purchaser shall cause the Transferred Employees to be given credit for all service with Sellers or any Affiliate of Sellers prior to such Transferred Employees date of hire with Purchaser (or an Affiliate thereof) for purposes of eligibility (except for Retiree Life Insurance and access to the fixed credits in Retiree Medical) and vesting (but not for purposes of benefit accrual) under any employee benefit plans or arrangements of Purchaser or any Affiliate of Purchaser in which such Transferred Employees participate after their applicable date of hire with Purchaser (or an Affiliate thereof) (**"Purchaser Plans"**), to the same extent that such service was recognized by Sellers or any Affiliate of Sellers immediately prior to such date of hire with Purchaser (or an Affiliate thereof) under any comparable programs or arrangements of Sellers or any Affiliate of Seller (except to the extent that such crediting would result in duplication of benefits). Without limiting the generality of the foregoing, all vacation, sickness, holiday and personal days accrued by the Transferred Employees prior to their applicable date of hire with Purchaser (or an Affiliate thereof) shall be honored by Purchaser to the extent that accruals for such liabilities are fully and properly reflected on the Final Preceding Month End Balance Sheet or to the extent such liabilities are properly accrued in accordance with past practice. To the extent commercially reasonable, all limitations as to preexisting conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees shall be waived by Purchaser. To the extent commercially reasonable, Transferred Employees shall also be given credit for any deductible or co-payment amounts paid in respect of Purchaser Plan year in which the Closing occurs, to the extent that, following the Closing, they participate in any Purchaser Plan during such plan year for which deductibles or co-payments are required and to the extent permitted by the relevant Purchaser Plan.

(iv) With respect to any employee of any Seller whose work or function is related primarily to the operation of the Business, and who is, as of the Closing Date (if an Immediately Hired Employee) or the date of expiration of the Employee Services Loan Agreement (if an Assigned Employee) on authorized leave of absence (including, but not limited to, employees on disability), Purchaser shall offer employment to any such employee in the event such employee returns to active employment within six (6) months of Closing Date or the date of expiration of the Employee Services Loan Agreement, as applicable, and such employee shall then be deemed to be a Transferred Employee. Any represented employee shall be reemployed in accordance with the terms of the applicable collective bargaining agreement.

(c) Purchaser shall assume and be solely responsible for, and shall indemnify Sellers and defend and hold Sellers harmless against, any and all claims, losses, damages, expenses, obligations and liabilities (including costs of collection, attorney's fees and other costs of defense) incurred by Sellers or any Affiliate of Sellers arising from or relating to (i) the termination of employment by Purchaser of any Transferred Employee as of or after the Closing Date, and (ii) the hiring, employment or discharge of any Transferred Employee. Purchaser shall assume and be solely responsible for, and shall indemnify Sellers and defend and hold Sellers harmless against, any and all claims, losses, damages, expenses, obligations and liabilities (including costs of collection, attorney's fees and other costs of defense) incurred by Sellers or any Affiliate of Sellers in connection with any suit or claim or violation brought against Sellers under the WARN

Act or any similar state, local or foreign law which arise, in whole or in part, from actions taken by Purchaser following the Closing. Sellers shall assume and be solely responsible for and shall indemnify Purchaser, and hold Purchaser harmless against any and all claims, attorneys' fees and other costs of defense incurred by Purchaser or any Affiliate of Purchaser arising from or related to the hiring, employment, benefit plan participation, or discharge of any employee of any Seller who is not a Transferred Employee.

(d) Effective as of their applicable date of hire with Purchaser (or an Affiliate thereof), Transferred Employees shall no longer actively participate in Sellers' 401(k) plans (the "**Sellers Savings Plans**"). Purchaser shall designate a tax-qualified defined contribution plan of Purchaser or one of its Affiliates (such plan(s), the "**Purchaser's Savings Plan**") that either (i) currently provides for the receipt from Transferred Employees of "eligible rollover distributions" (as such term is defined under Section 402 of the Code) or (ii) shall be amended as soon as practicable following the Closing Date to provide for the receipt from the Transferred Employees of eligible rollover distributions. As soon as practicable following the Closing Date, Purchaser shall provide Sellers with such documents and other information as Sellers shall reasonably request to assure themselves that Purchaser's Savings Plan provides for the receipt of eligible rollover distributions, and Sellers shall provide Purchaser with such documents and other information as Purchaser shall reasonably request to assure itself that the accounts of the Transferred Employees would be eligible rollover distributions. Each Transferred Employee who is a participant in Sellers Savings Plans shall be given the opportunity to receive a distribution of his or her account balance and shall be given the opportunity to elect to "roll over" such account balance to Purchaser's Savings Plan, subject to and in accordance with the provisions of such plan(s) and Applicable Law. Following the Closing Date, Sellers shall provide Purchaser with copies of such personnel and other records of Sellers pertaining to the Transferred Employees and such records of any agent or representative of Sellers pertaining to the Transferred Employees and such records of any agent or representative of Sellers, in each case pertaining to Sellers Savings Plans and as Purchaser may reasonably request in order to administer and manage the accounts and assets rolled over to Purchaser's Savings Plan.

(e) With respect to the Multiemployer Plans, after the Closing, if the amount of potential withdrawal liability of Sellers with respect to the Multiemployer Plans as of the date of termination of the Employee Services Loan Agreement is greater than zero:

(i) Purchaser will be obligated to make contributions to the Multiemployer Plans with respect to those Transferred Employees for whom Sellers had an obligation to contribute to the Multiemployer Plans prior to the date of termination of the Employee Services Loan Agreement. Purchaser shall be obligated to make such contributions in accordance with any collective bargaining agreement relating thereto and shall contribute to each Multiemployer Plan with respect to such operations for substantially the same number of contribution base units for which Sellers had an obligation to contribute to such plan with respect to employees employed by Sellers in the Business prior to the date of termination of the Employee Services Loan Agreement.

(ii) Purchaser hereby represents to Sellers that, for purposes of complying with Section 4204 of ERISA, no surety bond will be required of Purchaser in order for Sellers to be exempt from any partial withdrawal liability. Purchaser represents that it is exempt from the surety bond requirement in accordance with PBGC Regulation Section 4204.13. In addition, the transaction contemplated herein may be an exempt de minimus transaction within the meaning of PBGC Regulation Section 4204.12. If, within the five-year period following the Closing Date, Purchaser no longer qualifies for any relevant exemption under Section 4204 of ERISA, it will post a surety bond or take such other action reasonably acceptable to Sellers to prevent the sale of the Business from being deemed a partial withdrawal from any Multiemployer Plan.

(iii) If Purchaser withdraws from any of the Multiemployer Plans in a complete withdrawal or a partial withdrawal with respect to the Transferred Employees who are covered by a collective bargaining agreement within the period referred to in the preceding subsection (ii), Purchaser will be primarily liable and Sellers agree to be secondarily liable for any withdrawal liability Sellers would have had at the Closing Date to such Multiemployer Plan, but for the application of Section 4204 of ERISA, if the withdrawal liability of Purchaser with respect to such Multiemployer Plan is not paid. Purchaser shall indemnify Sellers for any liability Sellers incur pursuant to this Section 7.6(e)(iii).

(iv) Purchaser agrees that any action on its part that causes withdrawal liability (either partial or complete) during the period referred to in subsection (ii) hereof shall be for valid business reasons only. In the event of a subsequent sale of the assets of the Business by Purchaser during such period, Purchaser agrees to comply with the provisions of Section 4204(a)(1) of ERISA.

(v) If all, or substantially all, of Sellers' assets are distributed, or if Sellers are liquidated before the end of the first five plan years beginning after Closing, then except as may otherwise be required by law, Sellers shall provide a bond, an amount in escrow or such other security as may be permitted under Section 4204(a)(1)(B) of ERISA or regulations thereunder, equal to the present value of the withdrawal liability Sellers would have had but for the application of Section 4204 of ERISA, which bond, amount in escrow or other security may be applied toward the satisfaction of Sellers' secondary liability described in subsection (iii) hereof.

(vi) Purchaser agrees to provide Sellers with reasonable advance notice of any action or event which could result in the imposition of withdrawal liability contemplated by this Section 7.6(e), and in any event Purchaser shall immediately furnish Sellers with a copy of any notice of withdrawal liability it may receive with respect to the Multiemployer Plans, together with all the pertinent details. In the event that any such withdrawal liability shall be assessed against Purchaser, Purchaser further agrees to provide Sellers with reasonable advance notice of any intention on the part of Purchaser not to make full payment of any withdrawal liability when the same shall become due.

(vii) Notwithstanding any other provision of this Agreement, Purchaser shall have no obligation to indemnify Sellers for any losses or expenses (including without limitation reasonable attorney's fees and expenses) which Sellers may incur as a result of a determination that the requirements of Section 4204 of ERISA are not met (provided that such determination does not result from Purchaser's failure to comply with its obligations hereunder); (ii) Sellers shall indemnify Purchaser for any losses or expense (including without limitation reasonable attorneys' fees and expenses) which Purchaser may incur as a result of a determination that the requirements of Section 4204 of ERISA are not met (provided that such determination does not result from Purchaser's failure to comply with its obligations hereunder); and (iii) Purchaser shall indemnify Sellers for any losses or expense (including without limitation, any assessed withdrawal liability, reasonable attorneys' fees and expenses) which Sellers may incur as a result of a determination that the requirements of Section 4204 of ERISA are not met (provided that such determination results from Purchaser's failure to comply with its obligations hereunder).

(f) So long as Rick Halstead is employed by Purchaser (or an Affiliate of Purchaser active in the Business) on December 31, 2005, Seller shall pay to Purchaser on December 31, 2005 the sum of $19,500 by wire transfer of federal funds. So long as Rick Halstead is employed by Purchaser (or an Affiliate of Purchaser active in the Business) on December 31, 2006, Seller shall pay to Purchaser on December 31, 2006 the sum of $19,500 by wire transfer of federal funds.

7.7 Transfers Not Effected as of Closing

(a) Nothing herein shall be deemed to require the conveyance, assignment or transfer of any Assumed Contract or Assumed Lease that by its terms or by operation of law cannot be freely conveyed, assigned, transferred or assumed. To the extent the parties hereto have been unable to obtain any Person's consent or approval required for the transfer of any Assumed Contract or Assumed Lease and to the extent not otherwise prohibited by the terms of any Assumed Contract or Assumed Lease, Sellers shall continue to be bound by the terms of such applicable Assumed Contract or Assumed Lease and Purchaser shall pay, perform and discharge fully all of the obligations of Sellers or any of their respective Affiliates thereunder from and after the Closing; provided however that such applicable Assumed Contract shall be an Assumed Contract for the purposes of Assumed Liabilities pursuant to Section 2.3 hereof. Sellers shall, without consideration therefore, pay, assign and remit to Purchaser promptly all monies, rights and other consideration received in respect of such performance. Subject to Section 7.7(b), if Purchaser determines to seek consent to assign any Assumed Contract or Assumed Lease, Sellers shall use commercially reasonable efforts to cooperate with Purchaser in obtaining such consent (provided that neither Purchaser nor Sellers shall be required to pay any consideration to the third party from whom such consent is sought) and the parties hereto shall continue to use their commercially reasonable efforts to obtain any such sought and unobtained consents or approvals at the earliest practicable date. If and when any such consents or approvals shall be obtained, Sellers shall promptly assign their rights and obligations thereunder to Purchaser without payment of

consideration and Purchaser shall, without the payment of any consideration therefore, assume such rights and obligations, deemed to be effective as of the Closing Date; provided that if Purchaser subcontracts performance of any Assumed Contract in accordance with its terms Purchaser shall be obligated to pay, perform and discharge all of the obligations of the Sellers thereunder effective as of the Closing Date. The parties shall execute such good and sufficient instruments as may be necessary to evidence such assignment and assumption.

(b) Following the date hereof, Purchaser shall use reasonable commercial efforts to cooperate with Sellers with respect to obtaining any consent to assignment required under Assumed Contracts. Schedule 5.7 of Sellers Disclosure Schedule sets forth a list of Material Service Contracts requiring consent to assignment (the "**Required Consents**"). At or immediately prior to Closing, Sellers shall deliver to Purchaser (i) an updated Schedule 5.7 of Sellers Disclosure Schedule which shall include new maintenance services contracts of the Business entered into after the date hereof with monthly revenue in excess of eight thousand three hundred thirty-three dollars ($8,333), (ii) a list of Required Consents with respect to such updated Schedule 5.7 of Sellers Disclosure Schedule and (iii) the status with respect to obtaining such Required Consents described in clause (ii) hereof. The parties agree that all references to Required Consents set forth in Section 7.7(c) shall be only in respect of the Required Consents on the updated Schedule 5.7 of Sellers Disclosure Schedule delivered in accordance with the provisions hereof.

(c) Notwithstanding the provisions of Section 7.7(a), Sellers shall have ninety (90) calendar days from the Closing Date (the "**Consent Period**") in which to obtain any Required Consent requested by Purchaser (the "**Requested Required Consents**"); provided that Purchaser shall use commercially reasonable efforts to cooperate with Sellers in obtaining such Requested Required Consents; provided further that neither Purchaser nor Sellers shall be obligated hereunder to pay any consideration to the third party for any such Requested Required Consent. If any such Requested Required Consents are obtained and delivered to Purchaser within the Consent Period, the assignment of the Material Service Contracts to which such consents relate shall be made promptly and deemed to be effective, and Purchaser shall be deemed to have assumed the obligations and liabilities thereunder, as of the Closing Date. If any such Requested Required Consents are not obtained within the Consent Period, Purchaser shall be entitled to recover from Sellers an amount equal to twelve (12) months' maintenance and service revenues attributable to such contract (calculated by annualizing the average monthly maintenance and service revenue attributable to such contract for the ten (10) months ending August 31, 2005); provided that Purchaser shall not be entitled to collect any amount in respect of any Material Service Contract for which consent is not obtained within the Consent Period if (i) the customer under any such Material Service Contract for whom a Requested Required Consent applies shall have continued to receive and pay for HVAC services under the terms of such contract for the monthly period following the end of the Consent Period and such customer shall not have provided written notification of termination of such Material Service Contract during the Consent Period, (ii) Purchaser is able to subcontract the performance of the applicable Material Service Contract from Sellers in accordance with its terms or (iii) after the Consent Period,

Purchaser informs Sellers that Sellers should continue to use all reasonable efforts to obtain the Requested Required Consent; provided that, subject to the provisions of Section 9.5 hereof, Sellers shall only be required to pay Purchaser in respect of qualifying unobtained Requested Required Consents hereunder after the aggregate of all lost monthly maintenance and service revenue with respect to such Material Service Contracts for which consents were not obtained exceeds one hundred fifty thousand dollars ($150,000) (and then only in the amount of such excess).

(d) With respect to any Performance Bonds issued by ABM in respect of the Business that are not otherwise assignable without consent to Purchaser hereunder as of the Closing, Purchaser covenants to promptly replace any such Performance Bonds with equivalent performance and surety bonds of Purchaser or an Affiliate thereof in accordance with the terms of any applicable Assumed Contracts and use commercially reasonable efforts to obtain a release of ABM with respect thereto.

7.8 Agreement Not to Compete

(a) Sellers understand that Purchaser shall be entitled to protect and preserve the going concern value of the Business to the extent permitted by law and that Purchaser would not have entered into this Agreement absent the provisions of this Section 7.8 and, therefore, Sellers agree that for a period of five (5) years following the Closing Date Sellers will not (other than with respect to Permitted Services), directly or indirectly own, manage, control or participate in the ownership, management or control of or be related or otherwise affiliated in any manner with, any business similar to that engaged in by the Business (a "**Competitive Business**"); provided, however, that nothing in this Section 7.8 shall prohibit Sellers, or their Affiliates, from owning up to five percent (5%) of the outstanding voting securities of any publicly traded entity; provided, further, that nothing in this Section 7.8 shall prohibit Sellers, or their Affiliates, from acquiring a Competitive Business as part of an acquisition (by joint venture, merger or other) of the assets of, or the majority of voting interest in, another Person (a "**Target Business**") if the worldwide sales from the Competitive Business are not in excess of thirty percent (30%) of the worldwide sales of the Target Business in the most recent fiscal year of the Target Business preceding such acquisition. In the event the Sellers, or their Affiliates, acquire a Competitive Business pursuant to the second proviso in the preceding sentence, Sellers shall divest such Competitive Business by way of auction or other competitive bidding process, negotiation, sale or such other manner or divestiture as the Sellers shall deem appropriate and shall use commercially reasonable efforts to do so within a period of six (6) months from the date of such acquisition. For a period of two (2) years following the Closing Date, Sellers and their Affiliates shall not solicit any Employees of the Business or otherwise affirmatively and intentionally induce any Employee of the Business to leave such employ for purposes of accepting a position with Sellers; provided that the preceding non-solicitation obligation of Sellers and their Affiliates shall not apply to administrative or clerical Employees of the Business. Sellers and Purchaser intend that the covenants contained in this Section be construed as a series of separate covenants and Sellers acknowledge that the limitations as to time, geographic area and scope of activity set forth above are reasonable and do not impose a greater restraint than is necessary to protect the goodwill and the Business to be acquired by Purchaser under this Agreement.

(b) Notwithstanding any other provision of this Agreement, it is understood by the parties hereto and agreed that the remedy of indemnity payments pursuant to Section 9.2 and other remedies at law would be inadequate in the case of any breach of the covenants contained in Section 7.8(a), and each party hereto agrees that the other party shall be entitled to equitable relief, including the remedy of specific performance with respect to any breach or attempted breach of such covenants. If, in any judicial proceeding, a court refuses to enforce any of the separate covenants contained in Section 7.8(a), the unenforceable covenant will be considered eliminated from this Section 7.8 for the purpose of those proceedings to the extent necessary to permit the remaining separate covenants to be enforced.

(c) Nothing contained herein to the contrary shall prohibit ABM (or any of its Affiliates) from being acquired, through sale, merger or related transaction, by any entity which qualifies as, owns or operates or is affiliated with, a Competitive Business. Purchaser agrees that neither any such acquirer nor any of its Affiliates (including ABM after such acquisition) will be bound by the terms of Section 7.8(a).

7.9 Partially Utilized Facilities; Subleases

(a) Purchaser is entering into a lease (with respect to the Fresno, California facility) and a sublease (with respect to the Oakland, California facility) with Sellers' Affiliates in respect of the Partially Utilized Facilities providing in each case for (i) a lease term through October 31, 2005 and (ii) monthly rental payments to Sellers calculated based on the total rent currently payable under the master lease for the location of the applicable Partially Utilized Facilities Lease, pro-rata for the current square footage occupied by the Business at such Partially Utilized Facility as of the date hereof. The parties acknowledge and agree that no leasehold improvements will be made to the Partially Utilized Facilities during the Temporary Lease Period.

(b) With respect to any guarantees by ABM of Assumed Leases, Purchaser shall promptly following Closing replace such guarantees with suitable equivalent guarantees, if required, of Purchaser or an Affiliate thereof pursuant to such Assumed Leases and use commercially reasonable efforts to promptly obtain a release of ABM with respect to all such guarantees.

7.10 Conduct of Business Prior to Closing

Except as otherwise contemplated hereby, during the period from the date of this Agreement to the Closing Date, Sellers will operate and maintain the Purchased Assets in the usual, regular and ordinary course of business and in substantially the same manner as they did prior to the date of this Agreement. Sellers will also operate and maintain the water treatment services business of CMS in the usual, regular and ordinary course of business and in substantially the same manner as they did prior to the date of this Agreement, and in particular shall take no action that would cause inventory, receivables, payables or other accounts related to such business to be materially different than as reflected on the October 31, 2004 balance sheet of CMS. Sellers shall use all reasonable efforts to (i) preserve intact the Business, (ii) keep available the services of its present

officers and employees and (iii) preserve its relationships with customers, suppliers and others having dealings with Sellers. Without limiting the generality of the foregoing, and, except as otherwise expressly provided in this Agreement and except as set forth on Schedule 7.10 of Sellers Disclosure Schedule, prior to the Closing Date, without the prior written consent of Purchaser, which will not be unreasonably withheld or delayed, Sellers shall not with respect to the Purchased Assets or the Business:

(a) create, incur or assume debt that will remain an obligation of Purchaser following the Closing other than trade payables and other applicable operational liabilities incurred in the ordinary course of business;

(b) increase the compensation of the Employees or benefits due the Employees under the Seller Plans, except for such increases in compensation or benefits as are contractually required or granted in the ordinary course of the Business in accordance with its past practice; provided that Sellers may make, prior to the Closing Date, any payment with respect to any such prohibited increase in compensation of any Employee it so elects and in its sole discretion;

(c) sell, transfer, or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, any material assets constituting to the Purchased Assets, other than sales, transfers or disposals of, or enter into agreements to sell, transfer or otherwise dispose of, Inventory in the ordinary course of business in accordance with past practice;

(d) enter into any material agreement that would constitute an Assumed Contract, other than agreements made in the ordinary course of business in accordance with past practice;

(e) amend or unilaterally terminate any material Assumed Contract, other than in the ordinary course of business in accordance with past practice; or

(f) permit to be incurred any Encumbrance on any assets of the Business other than Permitted Encumbrances.

7.11 Access to Information Prior to Closing

(a) From the date hereof through the Closing Date, upon reasonable notice by Purchaser and during regular business hours, Sellers shall give Purchaser and its authorized representatives (i) reasonable access to the properties, contracts and Books and Records related primarily to the Business and the Purchased Assets and (ii) reasonable access to employees and agents of Sellers; provided however that any such access shall be in such manner as not to materially interfere with the operation of the Business. Notwithstanding the foregoing, Sellers need not disclose to Purchaser or any representative of Purchaser any information which, in the opinion of Sellers' counsel, would violate Applicable Law, result in a waiver of attorney-client privilege or similar privilege or result in a breach of any contract to which any Seller is a party.

(b) From the date hereof through the Closing Date, Purchaser will hold, and will cause its officers, directors, employees, representatives, consultants and advisors to

hold, in confidence, all documents and information furnished to Purchaser and Purchaser's officers, directors, employees, representatives, consultants and advisors by or on behalf of Sellers in connection with this Agreement and the transactions contemplated hereby, provided that nothing herein shall be deemed to alter or amend the Confidentiality Agreement, which remains in full force and effect in accordance with its terms.

7.12 Commercially Reasonable Efforts

(a) The Purchaser and Sellers shall act in good faith and use their respective reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated hereby as soon as practicable. Without limiting the foregoing, the Purchaser and Sellers shall use their reasonable best efforts to (i) obtain all consents, approvals, waivers, licenses, permits, authorizations, registrations, qualifications or other permissions or actions by, and give all necessary notices to, and make all filings with and applications and submissions to, any Governmental Authority or Persons necessary in connection with the consummation of the transactions contemplated hereby as soon as reasonably practicable; (ii) provide all relevant information as may be necessary or reasonably requested in connection with any of the foregoing; and (iii) avoid the entry of, or have vacated or terminated, any injunction, decree, order, or judgment that would restrain, prevent, or delay the consummation of the transactions contemplated hereby, including but not limited to defending through litigation on the merits any claim asserted in any court by any person so as to enable the consummation of such transactions to occur as expeditiously as possible, including, with respect to the Purchaser, the taking by the Purchaser of all such actions, as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of preventing or materially delaying the Closing.

(b) The Purchaser and Sellers shall keep each other reasonably informed as to the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by any of them or by any of their respective Affiliates, from any Person or any Governmental Authority with respect to the transactions contemplated hereby.

(c) Notwithstanding the above or any other provision of this Agreement, the Purchaser shall not be required to take any action that would reasonably be expected to impair the benefits to Purchaser of the transaction contemplated by this Agreement in a materially adverse manner.

7.13 Risk of Loss

(a) From the date hereof through the Closing Date, risk of loss or damage to the Purchased Assets shall be borne by Sellers.

(b) If, before the Closing Date, all or any portion of the Purchased Assets are (i) taken by eminent domain, (ii) the subject of a pending or (to Sellers' Knowledge) contemplated taking which has not been consummated, or (iii) damaged or destroyed by fire or other casualty, Sellers shall notify Purchaser promptly in writing of such fact.

(c) If such taking, damage or destruction would not have a Material Adverse Effect, Purchaser and Sellers shall negotiate in good faith to settle the loss resulting from such taking, damage or destruction (including, without limitation, by making a fair and equitable adjustment to the Closing Purchase Price) and, upon such settlement, consummate the transaction contemplated by this Agreement pursuant to the terms of this Agreement. If no such settlement is reached within sixty (60) days after Sellers have notified Purchaser of such taking, damage or destruction, then, upon the written request of either Purchaser or Sellers, the Neutral Accountant shall resolve any disagreement. The Neutral Accountant shall determine the loss resulting from such taking, damage or destruction as promptly as practicable (but in any event within sixty (60) days following the date on which such dispute is referred to the Neutral Accountant), based solely on written submissions made to the Neutral Accountant within fifteen (15) days following the Neutral Accountant's selection and such other information or submissions as may be requested by the Neutral Accountant thereafter. Purchaser on the one hand and Sellers on the other shall share equally the fees and expenses of the Neutral Accountant. The determination of the Neutral Accountant shall be final, conclusive and binding on Purchaser and Sellers, and the Neutral Accountant's determination of the loss resulting from such taking, damage or destruction shall then be deducted from the Closing Purchase Price.

7.14 No Other Bids

Sellers agree that they shall not, and shall not permit any of their Affiliates, or any officers, directors, employees, agents or representatives of any of the foregoing to, directly or indirectly, solicit or initiate (including by way of furnishing any non-public information concerning the Business or CMS) inquiries or proposals, or participate in any discussions or negotiations or enter into any agreement with any Person with respect to such inquiries or proposals, concerning an acquisition of all or any substantial portion of CMS, the Business or the Purchased Assets, except for the transactions with Purchaser contemplated by this Agreement, and Sellers shall immediately advise Purchaser of any such inquiry or proposal, including the terms thereof and the identity of the Person making such inquiry or proposal. Notwithstanding anything to the contrary contained in this Section 7.14, ABM shall in no way by the terms of this Section 7.14 be restricted from soliciting or initiating inquiries or proposals, participating in any discussions or negotiations or entering into any agreement, with respect to a sale, merger, consolidation, recapitalization, liquidation or other business combination involving ABM, or the sale of all or substantially all the assets thereof (an **"ABM Transaction"**), and ABM shall have no obligations with respect to the notification of Purchaser with respect to any inquiry or proposal regarding an ABM Transaction. In addition, notwithstanding anything to the contrary contained in this Section 7.14, Sellers shall in no way by the terms of this Section 7.14 be restricted from soliciting or initiating inquiries or proposals, participating in any discussions or negotiations or entering into any agreement, with respect to a sale of

all or substantially all of the assets of the water treatment business of CMS (a **"WT Transaction"**), and Sellers shall have no obligations with respect to the notification of Purchaser with respect to any inquiry or proposal regarding a WT Transaction.

7.15 ABM Facility Services

For a period of five (5) years from the Closing Date, ABM shall use its commercially reasonable efforts to provide Purchaser the opportunity to bid on HVAC services that ABM Facility Services or ABM Engineering Services may seek to have provided by a subcontractor or other third party.

7.16 Purdy Commissions

As of the Closing Date, Purchaser shall assume and pay when due all commissions, to the extent such commissions relate to new accounts obtained by Purchaser or the Business following the Closing Date and such accounts are listed on Schedule 7.16 of the Sellers Disclosure Schedule, owed to Bruce Purdy as a result of his efforts between March 1, 2005 and the Closing Date pursuant to sections 3(b) and 3(c) of the Consultant Agreement, effective as of March 1, 2005, between Bruce Purdy and CMS (a copy of which has been previously furnished to the Purchaser).

ARTICLE VIII.
CLOSING CONDITIONS

8.1 Conditions to Obligations of the Parties

The respective obligations of each party to effect the transactions contemplate hereby shall be subject to the condition that no preliminary or permanent injunction or other order or decree by any Governmental Authority which prevents the consummation of the transactions contemplated hereby shall have been issued and remain in effect (each party agreeing to use its commercially reasonable efforts to have any such injunction, order or decree lifted) and no statute, rule or regulation shall have been enacted by any Governmental Authority which prohibits the consummation of the transactions contemplated hereby.

8.2 Conditions to Obligations of Purchaser

The obligation of Purchaser to effect the transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date of the following additional conditions:

(a) Each Seller shall have performed and complied with in all material respects the covenants and agreements contained in this Agreement that are required to be performed and complied with by it on or prior to the Closing Date;

(b) All of the representations or warranties of each Seller set forth in this Agreement that are qualified by materiality or Material Adverse Effect shall be true and correct and the representations and warranties of each Seller set forth in the Agreement that are not so qualified shall be true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing Date (except to the extent such representations and warranties speak as of a specific date or as of the date hereof, in which case such representations and warranties shall be true and correct or true and correct in all material respects, as the case may be, as of such specific date or as of the date hereof, respectively);

(c) Sellers shall have completed fully the clean up of the facilities of the Business as is provided in the engagement letter, dated as of May 6, 2005, between ABM and Evergreen Environmental Services, Inc. (a copy of which has been previously furnished to the Purchaser);

(d) Purchaser shall have received a certificate from an authorized officer of each Seller, dated the Closing Date, to the effect that, to the best of such officer's Knowledge, the conditions set forth in Sections 8.2(a), (b) and (c) have been satisfied;

(e) There shall have been no cancellation of any Material Service Contract;

(f) Sellers shall have made the deliveries to Purchaser required to be delivered by Sellers pursuant to Section 4.2;

(g) Purchaser shall have concluded employment contracts with Mike Hurley and Rick Halstead, in form and substance satisfactorily to Purchaser in its sole discretion;and

(h) Sellers shall have delivered to Purchaser Schedule 7.16 of the Sellers Disclosure Schedule in form and substance satisfactory to Purchaser prior to the Closing Date.

8.3 Conditions to Obligations of Sellers

The obligations of Sellers to effect the transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing Date of the following additional conditions:

(a) Purchaser shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement that are required to be performed and complied with by it on or prior to the Closing Date;

(b) All of the representations or warranties of Purchaser set forth in the Agreement that are qualified by materiality or Material Adverse Effect shall be true and correct, and the representations and warranties of Purchaser set forth in the Agreement that are not so qualified shall be true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing Date (except to the extent such representations and warranties speak as of a specific date or as of the date hereof, in

which case such representations and warranties shall be true and correct or true and correct in all material respects, as the case may be, as of such specific date or as of the date hereof, respectively);

(c) Sellers shall have received a certificate from an authorized officer of Purchaser, dated the Closing Date, to the effect that, to the best of such officer's Knowledge, the conditions relating to Purchaser and set forth in Sections 8.3(a) and (b) have been satisfied; and

(d) Purchaser shall have made the deliveries to Sellers required to be delivered by Sellers pursuant to Section 4.3.

ARTICLE IX.
SURVIVAL AND INDEMNIFICATION

9.1 Survival

All representations and warranties made by the parties hereto pursuant to this Agreement shall survive the Closing (a) in the case of the representations and warranties contained in Section 5.2 relating to authority, without limitation and (b) in the case of any other representation and warranty in this Agreement for a period of eighteen (18) months after the Closing Date. All representations and warranties, except Section 5.2, shall terminate and be of no further force or effect following the eighteen-month anniversary of the Closing Date, and no claims shall thereafter be brought thereunder. The covenants and agreements of the parties hereto contained herein shall survive in accordance with their respective terms.

9.2 Indemnification Sellers will, jointly and severally, indemnify, defend and hold harmless the Purchaser from and against any and all claims, demands or suits, losses, liabilities, damages, obligations, payments, costs and expenses (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) (collectively, "**Indemnifiable Losses**"), asserted against or suffered by Purchaser and its Affiliates (including, without limitation, United Technologies Corporation), and each of their officers, directors, employees, agents, successors and assigns (collectively, the "**Purchaser Group**") relating to, resulting from or arising out of (i) any breach of any warranty or the inaccuracy of any representation of Sellers contained in this Agreement, (ii) any breach by Sellers of any covenant in this Agreement or any failure of Sellers to perform any of their obligations contained in this Agreement, (iii) the Excluded Liabilities or (iv) claims under Sections 3.3 or 7.7(c); provided, however, that, subject to provisions of Section 9.5, Sellers shall be required to indemnify, defend and hold harmless under clause (i) of this Section 9.2(a) with respect to Indemnifiable Losses incurred by the Purchaser Group only to the extent that the aggregate amount of such Indemnifiable Losses exceed three hundred thousand dollars ($300,000) (and then only in the amount of such excess), and provided further, that the aggregate liability of Sellers under clause (i) this Section 9.2(a) shall not exceed fifty percent (50%) of the Closing Purchase Price. For purposes of this

Article IX, in determining whether there has been a breach of any representation or warranty contained in Article V of this Agreement or the amount of any Indemnifiable Losses resulting from any such breach, (i) such representation and warranties (other than Section 5.4(a)) shall be read without regard to any "Material Adverse Effect" qualifier contained therein; provided that in the first sentence of Section 5.8 the phrase "which, if adversely determined, would have a Material Adverse Effect" shall be replaced with the phrase "except as set forth in Schedule 2.4(b) of Sellers Disclosure Schedule" (ii) the word "material" (in lower case) shall be disregarded in (1) the second sentence of Section 5.7, and (2) the second and third sentences of Section 5.9; and (iii) the word "materially" shall be disregarded in the first and second sentence of Section 5.15.

(b) (i) Except as provided in Section 9.2(b)(ii), and in addition to any indemnity obligation under Section 9.2(a), Sellers, jointly and severally, shall indemnify, defend and hold harmless the Purchaser Group from any and all Indemnifiable Losses, relating to or arising out of (A) any violation of Environmental Laws occurring at the Partially Utilized Facilities or the properties containing such Partially Utilized Facilities occurring during the Temporary Lease Period, including without limitation any violations of Environmental Laws relating to the operation of the Business at the Partially Utilized Facilities occurring during the Temporary Lease Period; (B) any actions or incidents occurring during the Temporary Lease Period with respect to the operation of the Business at the Partially Utilized Facilities that could form the basis of a claim of liability under Environmental Law; (C) any Environmental Condition on, at, under or resulting from the Partially Utilized Facilities or the properties containing such Partially Utilized Facilities, including without limitation any Environmental Condition arising from incidents or events associated with operation of the Business at the Partially Utilized Facilities during the Temporary Lease Period (including the Release, storage treatment, transportation or disposal of Regulated Substances, or the arrangement for such, by or in connection with operation of the Business at the Partially Utilized Facilities during the Temporary Lease Period). For purposes of this Article IX, in no event shall the Temporary Lease Period exceed 150 days from the Closing Date.

(ii) Sellers shall not be obligated to indemnify the Purchaser Group for Indemnifiable Losses arising under Section 9.2(b)(i) to the extent that such Indemnifiable Losses are caused or contributed by: (1) the willful misconduct or gross negligence of the Purchaser; or (2) the failure of the Purchaser to conduct the Business at the Partially Utilized Facilities in a manner that is equal to or better than the environmental and safety practices followed by Sellers in the conduct of the Business at the Partially Utilized Facilities prior to the Closing Date.

(iii) In addition to any indemnity obligation under Section 9.2(a), Sellers, jointly and severally, shall indemnify, defend and hold harmless the Purchaser Group from any and all Indemnifiable Losses, relating to or arising out of the use, procurement, manufacture, sale of ACM in products manufactured, sold, installed or serviced in connection with the Business or any discontinued product or product line on or prior to the Closing Date by any Seller or any Predecessor and any Asbestos Activity performed or undertaken by Seller or any Predecessor, whether or not in connection with operation of the Business, prior to the Closing Date. The foregoing indemnity shall extend to and

include any Indemnifiable Losses incurred after the Closing Date: (i) due to any exposure to ACM on or prior to the Closing Date in connection with any Asbestos Activity by any Seller, Predecessor or the Business, (ii) arising out of any Asbestos Activity conducted by, or existing in connection with, any Seller, Predecessor or the Business prior to the Closing Date, and (iii) arising out of any exposure to ACM after the Closing Date, or arising out of any development, aggravation or continuance of any asbestos related diseases after the Closing Date, related to conditions on the Closing Date in connection with any Asbestos Activity by any Seller, Predecessor or the Business.

(iv) Sellers' obligations under this Section 9.2(b) shall not be subject to the Comprehensive Basket or any other limitation or restriction hereunder as to time, amounts or deductions, and Sellers irrevocably waive any rights of contribution from Purchaser that they may have under the law in respect of any such Indemnifiable Losses.

(c) The Purchaser will, jointly and severally, indemnify, defend and hold harmless Sellers from and against any and all Indemnifiable Losses asserted against or suffered by Sellers and their Affiliates, and each of their respective officers, directors, employees, agents, successors and assigns (collectively, the "**Seller Group**") relating to, resulting from or arising out of (i) any breach of any warranty or the inaccuracy of any representation of the Purchaser contained in this Agreement, it being understood that for purposes of this 8.2(c) in determining whether there has been a breach of any representation or warranty contained in Article VI of this Agreement or the amount of any losses resulting from any such breach, the word "materially" in the first and second sentence of Section 6.4 shall be disregarded, (ii) any breach by Purchaser of any covenant in this Agreement or any failure of Purchaser to perform any of their obligations contained in this Agreement or (iii) the Assumed Liabilities; provided, however, that, subject to the provisions of Section 9.5, the Purchaser shall be required to indemnify, defend and hold harmless under clause (i) of this Section 9.2(c) with respect to Indemnifiable Losses incurred by the Seller Group only to the extent that the aggregate amount of such Indemnifiable Losses exceed three hundred thousand dollars ($300,000) (and then only in the amount of such excess), and provided further, that the aggregate liability of the Purchaser under clause (i) of this Section 9.2(c) shall not exceed fifty percent (50%) of the Closing Purchase Price.

(d) Either the party required to provide indemnification under this Agreement (the "**Indemnifying Party**") or the party entitled to receive indemnification under this Agreement (the "**Indemnitee**") may assert any offset or similar right in respect of its obligations under this Section 9.2 based upon any actual breach of any covenant or agreement contained in this Agreement.

(e) Any Indemnitee having a claim under these indemnification provisions shall make a good faith effort to recover all losses, damages, costs and expenses from third party insurers of such Indemnitee under applicable insurance policies so as to reduce the amount of any Indemnifiable Loss hereunder. The amount of any Indemnifiable Loss shall be reduced to the extent that Indemnitee receives any insurance proceeds with respect to an Indemnifiable Loss from a third party (non-captive) insurer (net of one year's increase in premiums payable to such third party insurer). For

purposes of this Agreement, payments made by a third party insurer administering claims under a fronting policy or any self-insurance program shall not be considered payments by a third party (non-captive) insurer. The expiration, termination or extinguishment of any covenant, agreement, representation or warranty shall not affect the parties' obligations under this Section 9.2 if the Indemnitee provided the Indemnifying Party with notice of the claim or event for which indemnification is sought prior to such expiration, termination or extinguishment.

9.3 Defense of Claims

(a) If any Indemnitee receives notice of the assertion of any claim or of the commencement of any claim, action, or proceeding made or brought by any Person who is not a party to this Agreement or any affiliate of a party to this Agreement (a **"Third Party Claim"**) with respect to which indemnification is to be sought from an Indemnifying Party, the Indemnitee will give such Indemnifying Party reasonably prompt written notice thereof. Such notice shall describe the nature of the Third Party Claim in reasonable detail and will indicate the estimated amount, if practicable, of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party will have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume the defense of any Third Party Claim not involving any matter arising under Section 9.2(b) at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, and the Indemnitee will cooperate in good faith in such defense at such Indemnitee's own expense. If a Third Party Claim involves any matter arising under Section 9.2(b), then the Indemnitee shall have the right in such written notice to require the Indemnifying Party to assume the defense of such Third Party Claim, and the Indemnitee will cooperate in good faith in such defense at the Indemnifying Party's expense.

(b) If within ten (10) calendar days after an Indemnitee provides written notice to the Indemnifying Party of any Third Party Claim the Indemnitee receives written notice from the Indemnifying Party that such Indemnifying Party has elected (or is required) to assume the defense of such Third Party Claim as provided in the last sentence of Section 9.3(a), the Indemnifying Party will not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof; provided, however, that if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within twenty (20) calendar days (unless waiting twenty (20) calendar days would prejudice the Indemnitee's rights) after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps the Indemnifying Party shall permit the Indemnitee to participate in such defense, and the Indemnifying Party will be liable for all reasonable expenses thereof. The Indemnifying Party shall permit the Indemnitee to participate in such defense or settlement through counsel chosen by the Indemnitee, with the fees and expenses of such counsel borne by the Indemnitee unless under applicable standards of professional conduct a conflict may exist between the Indemnifying Party and the Indemnitee in which event the fees and expenses of such counsel shall be borne by the Indemnifying Party. Without the prior written consent of the Indemnitee, the Indemnifying Party will not enter into any settlement of any Third Party Claim which

would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder. If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party will give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such firm offer within ten (10) calendar days after its receipt of such notice, the Indemnitee may continue to contest or defend such Third Party Claim, and in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim will be the amount of such settlement offer, plus reasonable costs and expenses paid or incurred by the Indemnitee up to the date of such notice.

(c) If the amount of any Indemnifiable Loss, at any time subsequent to the making of an indemnity payment in respect thereof, is reduced by recovery, settlement or otherwise under or pursuant to any third party (non-captive) insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other entity, the amount of such reduction, less any costs, expenses or premiums incurred in connection therewith (together with interest thereon from the date of payment thereof at the prime rate as of the Closing Date), will promptly be repaid by the Indemnitee to the Indemnifying Party. Upon making any indemnity payment, the Indemnifying Party will, to the extent of such indemnity payment, be subrogated to all rights of the Indemnitee against any third party (non captive) insurer in respect of the Indemnifiable Loss to which the indemnity payment relates; provided, however, that (i) for purposes of this Agreement, payments made by a third party insurer administering claims under a fronting policy or any self-insurance program shall not be considered payments by a third party (non-captive) insurer, (ii) the Indemnifying Party will then be in compliance with its obligations under this Agreement in respect of such Indemnifiable Loss and (iii) until the Indemnitee recovers full payment of its Indemnifiable Loss, any and all claims of the Indemnifying Party against any such third party (non-captive) insurer on account of said indemnity payment is hereby made expressly subordinated and subjected in right of payment to the Indemnitee's rights against such third party. Without limiting the generality or effect of any other provision hereof, each such Indemnitee and Indemnifying Party will duly execute upon request all instruments reasonably necessary to evidence and perfect the above-described subrogation and subordination rights. Nothing in this Section 9.3(c) shall be construed to require any party hereto to obtain or maintain any insurance coverage.

(d) A failure to give timely notice as provided in this Section 9.3 will not affect the rights or obligations of any party hereunder except if, and only to the extent that, as a result of such failure, the party which was entitled to receive such notice was actually prejudiced as a result of such failure.

9.4 Remedies Exclusive

Except for intentional fraud and for injunctive relief to enforce the Purchaser's or Sellers' rights under this Agreement, the remedies set forth in this Article IX will constitute the

sole and exclusive remedy for breaches of this Agreement (including any covenant, obligation, representation or warranty contained in this Agreement or in any certificate delivered pursuant to this Agreement) or otherwise in respect of the sale of the Purchased Assets contemplated hereby. Each of the Purchaser and Sellers waive any provision of law to the extent that it would limit or restrict the agreements contained in this Article IX. Notwithstanding anything to the contrary set forth in this Agreement, the parties agree that the sole and exclusive remedy of Purchaser (i) with respect to the profitability of any Project Contract shall be the post-closing adjustment set forth in Section 3.3 and (ii) with respect to the loss of customers or the cancellation or termination of any Assumed Contract or other customer contract, including as a result of the failure to obtain consent to assignment of any Material Service Contract, shall be the post closing adjustment set forth in Section 7.7(b); provided that, with respect to clause (ii), the indemnification rights set forth in Section 9.2(a) shall also apply in the event that (A) such customer loss or contract cancellation or termination arose from material breach or material non-performance of such contract prior to the Closing Date and (B) Sellers shall have retained liability for such material breach or material non-performance in accordance with the provisions of Section 2.4(c).

9.5 Comprehensive Basket.

Notwithstanding anything to the contrary contained in this Agreement, the basket provisions contained in Sections 3.3 ($300,000, with respect to Project Losses), 7.7 ($150,000, with respect to qualifying unobtained Requested Required Consents) and 9.2(a) ($300,000, with respect to Indemnifiable Losses) shall not apply at such time as the losses or related items otherwise aggregating under all such provisions for purposes of reaching the basket thresholds contained therein exceed three hundred seventy-five thousand dollars ($375,000) (the "**Comprehensive Basket**"); provided that Purchaser shall only be permitted to collect for any losses (or related items) aggregating under all such provisions in the amount of the excess of the Comprehensive Basket. For avoidance or doubt and for purposes of illustration: in the event that Sellers would otherwise be required to indemnify and pay Purchaser in respect of Indemnifiable Losses but for the basket contained in Section 9.2(a), if the sum of (x) Project Losses (as determined under Section 3.3), (y) revenue losses in respect of qualifying unobtained Requested Required Consents (as calculated under Section 7.7) and (z) such Indemnifiable Losses total more than $375,000 in the aggregate, Purchaser shall be entitled to payments from Sellers in respect of such Indemnifiable Losses notwithstanding the basket contained in Section 9.2(a) (but only to the extent of the excess of such total above the Comprehensive Basket). This Section shall not apply to any matters involving any Excluded Liability, any Assumed Liability or any matters arising under Section 9.2(b).

ARTICLE X.
TERMINATION AND ABANDONMENT

10.1 Termination

(a) This Agreement may be terminated at any time prior to Closing Date, by mutual written consent of Purchaser and Sellers.

(b) This Agreement may be terminated by Sellers or by Purchaser if (i) the transactions contemplated hereby shall not have been consummated on or before June 15, 2005 (the "**Termination Date**"); provided that the right to terminate this Agreement under this Section 10.1(b) shall not be available to either such party if such party's failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date.

(c) This Agreement may be terminated by Sellers or by Purchaser if (i) any Governmental Authority, the consent or approval of which is a condition to the obligations of Sellers and Purchaser to consummate the transactions contemplated hereby, shall have determined not to grant its consent or approval and all appeals of such determination shall have been taken and have been unsuccessful, or (ii) any Governmental Authority shall have issued a statute, rule, regulation, order, judgment or decree or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such statute, rule, regulation, order, judgment or decree or other action shall have become final and non-appealable; provided, however, that all parties hereto shall have used their commercially reasonable efforts to remove such restraint, enjoinment or prohibition.

(d) This Agreement may be terminated by Purchaser, if there has been a material violation or breach by Sellers of any agreement, covenant, representation or warranty contained in this Agreement which has rendered the satisfaction of any condition to the obligations of Purchaser set forth in Sections 8.2(a) or 8.2(b) hereof impossible, such violation or breach has not been waived by Purchaser, and the violation or breach has not been cured within thirty (30) days following Purchaser's written notice of the violation or breach; provided, however, that if such breach cannot reasonably be cured within thirty (30) days and Sellers have commenced and are diligently proceeding to cure such breach, this Agreement may not be terminated pursuant to this subsection (d).

(e) This Agreement may be terminated by Sellers, if there has been a material violation or breach by Purchaser of any agreement, covenant, representation or warranty contained in this Agreement which has rendered the satisfaction of any condition to the obligations of Sellers set forth in Section 8.3(a) or 8.3(b) hereof impossible, such violation or breach has not been waived by Sellers, or the violation or breach has not been cured within thirty (30) days following either Sellers' written notice of the violation or breach; provided, however, that if such breach cannot reasonably be cured within thirty (30) days and Purchaser has commenced and is diligently proceeding to cure such breach, this Agreement may not be terminated pursuant to this subsection (e).

10.2 Procedure and Effect of Termination

In the event of termination of this Agreement and abandonment of the transactions contemplated hereby by either or both of the parties pursuant to Section 10.1, written notice thereof shall forthwith be given by the terminating party to the other party and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, and all obligations of the parties hereunder will terminate without liability of

any party to the other party (except for any liability of any party then in material breach of this Agreement); provided that the provisions of Sections 7.2 and 7.4 of this Agreement and the Confidentiality Agreement will survive the termination and remain in full force and effect thereafter). If this Agreement is terminated as provided herein, all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other person to which they were made.

ARTICLE XI.
MISCELLANEOUS PROVISIONS

11.1 Amendment and Modification

This Agreement may be amended, modified or supplemented only by a written mutual agreement executed and delivered by each of the Sellers and Purchaser.

11.2 Waiver of Compliance; Consents

Except as otherwise provided in this Agreement, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits hereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

11.3 Notices

All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by facsimile transmission, telexed or mailed by overnight courier or registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof):

(a) If to Sellers:

ABM Industries Incorporated
160 Pacific Avenue, Suite 222
San Francisco, California 94111
Attention: General Counsel
Facsimile: (415) 733-5123

(b) If to Purchaser:

Carrier Corporation
One Carrier Place
Farmington, CT 06032

Attention: General Counsel
Facsimile: (860) 674-3262

11.4 Assignment

This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party, nor is this Agreement intended to confer upon any other Person except the parties hereto any rights or remedies hereunder. If ABM sells all or substantially all of its assets, however, ABM will be certain that its obligations herein are transferred with such assets. That transfer would not constitute a novation of this Agreement.

11.5 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies, and Sellers and Purchaser hereby agree to irrevocably and unconditionally submit to the exclusive jurisdiction of any State or Federal court sitting in New York County over any suit, action or proceeding arising out of or relating to this Agreement. If requested by Sellers, Purchaser will consent to appointing an agent for service of process in New York County.

11.6 Waiver of Jury Trial

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.7 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

11.8 Interpretation

The Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. Definitions in this Agreement shall apply equally to both the singular and plural forms of the terms defined. All references herein to Articles, Sections and Exhibits shall be deemed to be references to Articles and Sections of, and Exhibits to, this Agreement unless the context shall otherwise require. All Exhibits attached hereto shall be deemed incorporated herein as if set forth in full herein and, unless otherwise defined therein, all terms used in any Exhibit shall have the meanings ascribed to such terms in this Agreement. The words “hereof,” “hereinafter,” “herein” and “hereunder” and words of

similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise expressly provided herein, any statute referred to herein means such statute as may from time to time be amended, modified or supplemented. Any payments required by this Agreement shall be in U.S. Dollars.

11.9 Severability

If for any reason any term or provision of this Agreement is held to be invalid or unenforceable, all other valid terms and provisions hereof shall remain in full force and effect, and all of the terms and provisions of this Agreement shall be deemed to be severable in nature. If for any reason any term or provision containing a restriction set forth herein is held to cover an area or to be for a length of time which is unreasonable, or in any other way is construed to be too broad or to any extent invalid, such term or provision shall not be determined to be null, void and of no effect, but to the extent the same is or would be valid or enforceable under Applicable Law, any court of competent jurisdiction shall construe and interpret or reform this Agreement to provide for a restriction having the maximum enforceable area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under Applicable Laws.

11.10 Entire Agreement

This Agreement (including the Exhibits and Schedules referred to herein) and the Confidentiality Agreement embody the entire agreement and understanding of the parties hereto in respect of the transactions contemplated by this Agreement. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein or therein. This Agreement supersedes all prior writings, discussions and understandings between the parties with respect to such transactions other than the Confidentiality Agreement.

11.11 Bulk Sales or Transfer Laws

Each party hereto waives compliance by Purchaser and Sellers with the provisions of the bulk sales or similar laws of all applicable jurisdictions.

IN WITNESS WHEREOF, Sellers and Purchaser have caused this agreement to be signed by their respective duly authorized officers as of the date first above written.

ABM INDUSTRIES INCORPORATED

By: /s/ George B. Sundby

Name: George B. Sundby
Title: Executive Vice President &
Chief Financial Officer

COMMAIR MECHANICAL SERVICES

By: /s/ Steven M. Zaccagnini

Name: Steven M. Zaccagnini
Title: President

CARRIER CORPORATION

By: /s/ Paul M. Perron

Name: Paul M. Perron
Title: Director, Business Development

EXHIBIT 10.1

ABM INDUSTRIES INCORPORATED

"TIME VESTED" INCENTIVE STOCK OPTION PLAN
(as amended and restated as of June 7, 2005)

ARTICLE I

GENERAL

1. PURPOSE.

This "Time Vested" Incentive Stock Option Plan (the "Plan") is intended to increase incentive and to encourage stock ownership on the part of nonemployee directors of ABM Industries Incorporated (the "Company") and selected key employees of the Company or of other corporations which are to become subsidiaries of the Company, and other individuals whose efforts may aid the Company. It is also the purpose of the Plan to provide such employees and other individuals with a proprietary interest, or to increase their proprietary interest, in the Company and its subsidiaries, and to encourage them to remain in the employ of the Company or its subsidiaries. It is intended that certain options granted pursuant to the Plan shall constitute incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and that certain other options granted pursuant to the Plan shall not constitute incentive stock options ("nonqualified stock options").

2. ADMINISTRATION.

The Plan shall be administered by the Officer Compensation & Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board"). The Committee shall from time to time at its discretion make determinations with respect to the persons to who options shall be granted and the amount of such options. The Committee shall consist of not fewer than three members of the Board. Each member of the Committee shall be a "disinterested person" as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended ("Rule 16b-3").

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

3. ELIGIBILITY.

Subject to Section 2 of this Article I, the persons who shall be eligible to receive options under the Plan shall be such officers and key employees (including directors who are also salaried employees of the Company) of the Company as the Committee shall select. In addition, independent contractors of the Company who are not also salaried employees of the Company shall be eligible to receive nonqualified stock options (but

such persons shall not be eligible to receive incentive stock options). The terms “officers and key employees” as used herein shall mean such key employees as may be determined by the Committee in its sole discretion. Directors of the Company who are not employees of the Company nor of any of its subsidiary corporations (“nonemployee directors”) shall be eligible only for the options automatically granted pursuant to Article V.

Except where the context otherwise requires, the term “Company,” as used herein, shall include (i) ABM Industries Incorporated and (ii) any of its “subsidiary corporations” which meet the definition of subsidiary corporation contained in Section 424(f) of the Code, and the terms “officers and key employees of the Company,” and words of similar import, shall include officers and key employees of each such subsidiary corporation, as well as officers and key employees of ABM Industries Incorporated.

4. SHARES OF STOCK SUBJECT TO THE PLAN.

The shares that may be issued under the Plan shall be authorized and unissued and reacquired shares of the Company’s common stock (the “Common Stock”). The aggregate number of shares which may be issued under the Plan shall not exceed 8,400,000 shares of Common Stock, unless an adjustment is required in accordance with Article III.

5. AMENDMENT OF THE PLAN.

The Board of Directors may at any time, or from time to time, amend this Plan in any respect, except that, to the extent required to maintain this Plan’s qualification under Rule 16b-3, any such amendment shall be subject to stockholder approval. In addition, as required by Rule 16b-3, the provisions of Article V regarding the formula for determining the amount, exercise price, and timing of nonemployee director options shall in no event be amended more than once every six months, other than to comport with changes in the Code and/or the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). (ERISA is inapplicable to the Plan.)

6. APPROVAL OF STOCKHOLDERS.

All options granted under the Plan before the Plan is approved by affirmative vote at the next meeting of stockholders of the Company, or any adjournment thereof, of the holders of a majority of the outstanding shares of Common Stock shall be subject to such approval. No option granted hereunder may become exercisable unless and until such approval is obtained.

7. TERM OF PLAN.

The Plan, as amended and restated herein, shall remain in effect until amended or terminated by the Board in accordance with Section 5 of Article I. However, without further stockholder approval, no option which is intended to be an incentive stock option may be granted under the Plan after December 19, 2005. Notwithstanding the foregoing,

each option granted under the Plan shall remain in effect until such option has been satisfied by the issuance of shares or terminated in accordance with its terms and the terms of the Plan.

8. RESTRICTIONS

All options granted under the Plan shall be subject to the requirement that, if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares subject to options granted under the Plan upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such option or the issuance, if any, or purchase of shares in connection therewith, such options may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

9. NONASSIGNABILITY.

No option shall be assignable or transferable by the grantee except by will or by the laws of descent and distribution. During the lifetime of the optionee, the option shall be exercisable only by him, and no other person shall acquire any rights therein.

10. WITHHOLDING TAXES.

Whenever shares of Common Stock are to be issued under the Plan, the Company shall have the right to require the optionee to remit to the Company an amount sufficient to satisfy federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares.

11. DEFINITION OF “FAIR MARKET VALUE.”

For the purposes of this Plan, the term “fair market value,” when used in reference to the date of grant of an option or the date of surrender of Common Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Common Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the “Wall Street Journal,” or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted; provided, however, that when the term “fair market value” is used in reference to the grant of an option which is effective on a future date set by the Compensation Committee, “fair market value” shall refer to the closing price of the Common Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on such effective date as published in the “Wall Street Journal.”

ARTICLE II

STOCK OPTIONS

1. AWARD OF STOCK OPTIONS.

Awards of stock options may be made under the Plan under all the terms and conditions contained herein. However, in the cases of incentive stock options the aggregate fair market value (determined as of the date of grant) of the stock with respect to which incentive stock options are exercisable for the first time by such officer or key employee during any calendar year (under all incentive stock options plans of the Company and its parent and subsidiary corporations) shall not exceed $100,000. The date on which any option is granted shall be the date of the Committee's authorization of such grant or such later date as may be determined by the Committee at the time such grant is authorized.

2. TERM OF OPTIONS AND EFFECT OF TERMINATION.

Notwithstanding any other provision of the Plan, no nonqualified stock option granted under the Plan shall be exercisable after the expiration of ten (10) years and one (1) month from the date of its grant, and no incentive stock option granted under the Plan shall be exercisable after the expiration of ten (10) years from the date of grant. In addition, notwithstanding any other provision of the Plan, no incentive stock option granted under the Plan to a person who, at the time such option is granted and in accordance with Section 425(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company shall be exercisable after the expiration of five (5) years from the date of its grant.

In the event that any outstanding option under the Plan expires by reason of lapse of time or otherwise is terminated for any reason, then the shares of Common Stock subject to any such option which have not been issued pursuant to the exercise of the option shall again become available in the pool of shares of Common Stock for which options may be granted under the Plan.

3. CANCELLATION OF AND SUBSTITUTION FOR NONQUALIFIED OPTIONS.

The Company shall have the right to cancel any nonqualified stock option at any time before it otherwise would have expired by its terms and to grant to the same optionee in substitution therefor a new nonqualified stock option stating an option price which is lower (but not higher) than the option price stated in the cancelled option. Any such substituted option shall contain all other terms and conditions of the cancelled option provided, however, that notwithstanding Section 2 of this Article II such substituted option shall not be exercisable after the expiration of ten (10) years from the date of grant of the cancelled option.

4. TERMS AND CONDITIONS OF OPTIONS.

Options granted pursuant to the Plan shall be evidenced by agreements in such form as the Committee shall from time to time determine, which agreements shall comply with the following terms and conditions.

(A) OPTIONEE'S AGREEMENT

Each optionee shall agree to remain in the employ of and to render to the Company his services for a period of one (1) year from the date of the option, but such agreement shall not impose upon the Company any obligation to retain the optionee in its employ for any period.

(B) NUMBER OF SHARES AND TYPE OF OPTION

Each option agreement shall state the number of shares to which the option pertains and whether the option is intended to be an incentive stock option or a nonqualified stock option. Notwithstanding any contrary provision of the Plan, during any single fiscal year of the Company, no individual shall be granted options covering more than 100,000 shares of Common Stock.

(C) OPTION PRICE

Each option agreement shall state the option price per share (or the method by which such price shall be computed). The option price per share shall not be less than 99% of the fair market value of a share of the Common Stock on the date such option is granted. In the cases of incentive stock options and options granted to non-employee directors pursuant to Article V hereof, the option price shall be not less than 100% of the fair market value of a share of the Common Stock on the date such option is granted. Notwithstanding the foregoing, the option price per share of an incentive stock option granted to a person who, on the date of such grant and in accordance with Section 424(d) of the Code, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company shall be not less than 110% of the fair market value of a share of the Common Stock on the date that the option is granted.

(D) MEDIUM AND TIME OF PAYMENT

The option price shall be payable upon the exercise of an option in the legal tender of the United States or, in the discretion of the Committee, in shares of the Common Stock or in a combination of such legal tender and such shares. Upon receipt of payment, the Company shall deliver to the optionee (or person entitled to exercise the option) a certificate or certificates for the shares of Common Stock to which the option pertains.

(E) EXERCISE OF OPTIONS

Pursuant to the terms of a written option agreement approved by the Committee, each option shall become exercisable at a rate of twenty percent (20%) per

year of the shares subject to the option, commencing one year after the date that the option was granted, but only if the optionee has been continuously employed by the Company from the date of grant through the date of vesting. The Committee may, in its discretion, waive any vesting provisions contained in an option agreement.

To the extent that an option has become vested (except as provided in Article III), and subject to the foregoing restrictions, it may be exercised in whole or in such lesser amount as may be authorized by the option agreement provided, however, that no partial exercise of an option shall be for fewer than twenty-five (25) shares. If exercised in part, the unexercised portion of an option shall continue to be held by the optionee and may thereafter be exercised as herein provided. Notwithstanding any inconsistent or contrary Plan provisions, in the event an optionee who is at least age 64 dies while in the service of the Company or of a subsidiary, all unvested options granted after April 19, 1999 shall immediately vest and become fully exercisable as of the date of such death.

(F) TERMINATION OF EMPLOYMENT EXCEPT BY DISABILITY OR DEATH

In the event that an optionee shall cease to be employed by the Company for any reason other than his death or disability, his option shall terminate on the date three (30) months after the date that he ceases to be an employee of the Company.

(G) DISABILITY OF OPTIONEE

If an optionee shall cease to be employed by the Company by reason of his becoming permanently and totally disabled within the meaning of Section 22(e)(3) of the Code (as determined by the Committee), such option shall terminate on the date one (1) year after cessation of employment due to such disability.

(H) DEATH OF OPTIONEE AND TRANSFER OF OPTION

If an optionee should die while in the employ of the Company, or within the three-month period after termination of his employment with the Company during which he is permitted to exercise an option in accordance with Subsection 4(F) of this Article II, such option shall terminate on the date one (1) year after the optionee’s death. During such one-year period, such option may be exercised by the executors or administrators of the optionee’s estate or by any person or persons who shall have acquired the option directly from the optionee by his will or the applicable law of descent and distribution. During such one-year period, such option maybe exercised with respect to the number of shares for which the deceased optionee would have been entitled to exercise it at the time of his death and also with respect to 10 percent of the additional number of shares for which he would have been entitled to exercise it during the balance of the option period, had he survived and remained in the employ of the Company.

ARTICLE III

RECAPITALIZATIONS AND REORGANIZATIONS

The number of shares of Common Stock covered by the Plan, the maximum number of shares with respect to which options may be granted during any single fiscal year to any employee, and the number of shares and price per share of each outstanding option, shall be proportionately adjusted for any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, or any other increase or decrease in the number of issued and outstanding shares of Common Stock effected without receipt of consideration by the Company.

If the Company shall be the surviving corporation in any merger or consolidation, each outstanding option shall pertain to and apply to the securities to which a holder of the same number of shares of Common Stock that are subject to that option would have been entitled (unless the Committee determines the provisions of the following sentences are applicable to such merger or consolidation). A Change in Control of the Company (as defined below) shall cause each outstanding option to terminate, provided that each optionee in the event of a Change in Control which will cause his option to terminate shall have the right immediately prior to such Change in Control to exercise his option in whole or in part, subject to every limitation on the exercisability of such option other than any vesting provisions. For purposes hereof, a "Change in Control" means:

(1) the acquisition (other than by ABM or by an employee benefit plan or related trust sponsored or maintained by ABM), directly or indirectly, in one or more transactions, by any person or by any group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 or any comparable successor provisions (the "Exchange Act"), of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of twenty-five percent or more of either the outstanding shares of common stock or the combined voting power of ABM's outstanding voting securities entitled to vote generally, if the acquisition was not previously approved by the existing directors;

(2) the acquisition (other than by ABM or by an employee benefit plan or related trust sponsored or maintained by ABM), directly or indirectly, in one or more transactions, by any such person or by any group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of fifty percent or more of either the outstanding shares of common stock or the combined voting power of ABM's outstanding voting securities entitled to vote generally, whether or not the acquisition was approved by the existing directors, other than an acquisition that complies with clause (i) and (ii) of paragraph (3);

(3) consummation of a reorganization, merger or consolidation of ABM or the sale or other disposition of all or substantially all of ABM's assets unless, immediately following such event, (i) all or substantially all of the stockholders of ABM immediately prior to such event own, directly or indirectly, seventy-five percent or more of the then outstanding voting securities entitled to vote generally

of the resulting corporation (including without limitation, a corporation which as a result of such event owns ABM or all or substantially all of ABM's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership of ABM's outstanding voting securities entitled to vote generally immediately prior to such event and (ii) the securities of the surviving or resulting corporation received or retained by the stockholders of ABM is publicly traded;

(4) approval by the stockholders of the complete liquidation or dissolution of ABM; or

(5) a greater than one-third change in the composition of the Board of Directors within 24 months if not approved by a majority of the pre-existing directors.

provided that, with respect of options that are outstanding as of September 22, 1999, the following shall also apply:

A dissolution or liquidation of the Company, a merger or consolidation in which the Company is not the surviving corporation or a "change in control" of the Company (as defined below) (each a "Terminating Transaction"), shall cause each outstanding option to terminate, unless the agreement of merger or consolidation or any agreement relating to a dissolution, liquidation or change in control shall otherwise provide, provided that each optionee in the event of a Terminating Transaction which will cause his option to terminate shall have the right immediately prior to such Terminating Transaction to exercise his option in whole or in part, subject to every limitation on the exercisability of such option other than any vesting provisions. For purposes of this proviso only, a"change of control" shall be deemed to have occurred when (i) a person or group or persons acquires fifty percent (50%) or more of the Company's voting securities, and (ii) the Board of Directors of the company or the Committee shall have determined that such a "change of control," as established by the Board or Committee, has been satisfied.

The foregoing adjustments shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive.

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

ARTICLE IV

MISCELLANEOUS PROVISIONS

1. RIGHTS AS A STOCKHOLDER.

An optionee or a transferee of an option shall have no rights as a stockholder with respect to any shares covered by an option until the date of the receipt of payment (including any amounts required by the Company pursuant to Section 10 of Article I) by the Company. No adjustment shall be made as to any option for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to such date of receipt of payment, except as provided in Article III.

2. MODIFICATION, EXTENSION AND RENEWAL OF OPTIONS.

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend, renew or cancel outstanding options granted under the Plan. Notwithstanding the foregoing, however, no modification of an option shall, without the consent of the optionee impair or diminish any rights or obligations under any option theretofore granted under the Plan. For purposes of the preceding sentence, the right of the Company pursuant to Section 3 of Article II to cancel any outstanding nonqualified option and to issue therefor a substituted nonqualified option stating a lower portion price shall not be construed or impairing or diminishing an optionee's rights or obligations.

3. OTHER PROVISIONS.

The option agreements authorized under the Plan shall contain such other provisions, including, without limitation, restrictions upon the exercise of the option or restrictions required by any applicable securities laws, as the Committee shall deem advisable.

4. APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of options will be used for general corporate purposes.

5. NO OBLIGATION TO EXERCISE OPTION.

The granting of an option shall impose no obligation upon the optionee or a transferee of the option to exercise such option.

ARTICLE V

NONEMPLOYEE DIRECTOR OPTIONS

The provisions of this Article V are applicable only to options granted to nonemployee directors. The provisions of Article II are applicable to options granted to other individuals.

1. GRANTING OF OPTIONS.

Each nonemployee director who is a nonemployee director on the date of the 1994 Annual Meeting of Stockholders, automatically will receive, as of such date only, an option to purchase 10,000 shares of Common Stock. Each nonemployee director who becomes a nonemployee director after the 1994 Annual Meeting of Stockholders automatically will receive, as of the date of such nonemployee director's election or appointment to the Board of Directors of the Company, an option to purchase 10,000 shares of Common Stock.

Each continuing nonemployee director (i.e., a nonemployee director who has received an initial grant of an option to purchase 10,000 shares of Common Stock) automatically will receive, on the first day of each subsequent fiscal year, an option to purchase 10,000 shares of Common Stock.

2. TERMS OF OPTIONS.

(A) OPTION AGREEMENT

Each option shall be evidenced by written stock option agreement which shall be executed by the optionee and the Company.

(B) OPTION PRICE

The price of the shares subject to each option shall be 100% of the fair market value for such shares on the date that the option is granted.

(C) EXERCISABILITY

An option granted pursuant to this Article V shall become exercisable at the rate of twenty percent (20%) per year of the shares subject to the option, commencing one year after the date that the option was granted, but only if the optionee has been a nonemployee director continuously from the date of grant through the date of vesting.

(D) EXPIRATION OF OPTIONS

In the event that an optionee shall cease to be a nonemployee director for any reason other than his death or disability, his option shall terminate on the date three (3) months after the date that he ceases to be a nonemployee director.

If an optionee shall cease to be a nonemployee director by reason of his becoming permanently and totally disabled within the meaning of Section 22(e)(3) of the Code (as determined by the Committee), such option shall terminate on the date one (1) year after his cessation of service as nonemployee director.

If an optionee should die while a nonemployee director, or within the three-month period described above in this Subsection 2(D), such option shall terminate on the date one (1) year after the optionee's death. During such one-year period, such option may be exercised by the executors or administrators of the optionee's estate or by any person or persons who shall have acquired the option directly from the optionee by his will or the applicable law of descent and distribution. During such one-year period, such option may be exercised with respect to the number of shares for which the deceased optionee would have been entitled to exercise it at the time of his death and also with respect to 10 percent of the additional number of shares for which he would have been entitled to exercise it during the balance of the option period, had he survived and remained a nonemployee director.

(E) INCENTIVE STOCK OPTIONS.

Options granted pursuant to this Article V shall not be designated as incentive stock options.

(F) OTHER TERMS.

All provisions of the Plan not inconsistent with this Article V shall apply to options granted to nonemployee directors.

EXHIBIT 10.2

ABM INDUSTRIES INCORPORATED

2002 PRICE-VESTED PERFORMANCE STOCK OPTION PLAN
(as amended and restated June 7, 2005)

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1. PURPOSE; DEFINITIONS.

ABM Industries Incorporated hereby establishes the ABM Industries Incorporated 2002 Price-Vested Performance Stock Option Plan (the "Plan"), effective as of December 11, 2001. The purpose of the Plan is to give ABM Industries Incorporated and its Affiliates a long-term stock option plan to help in recruiting, retaining motivating and rewarding senior executives, and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses and increases in stockholder value.

For purposes of the Plan, the following terms are defined as set forth below:

a. "Affiliate" or "Affiliates" means any and all subsidiary corporations or other entities controlled by the Company and designated by the Committee from time to time as such.

b. "Board" or "the Board" means the board of directors ("Directors") of the Company.

c. "Cause" means:

(1) misconduct or any other willful or knowing violation of any Company policy or employment agreement,

(2) unsatisfactory performance such that the Company notifies the Optionee of the Company's intention not to renew the Optionee's employment agreement with the Company,

(3) a material breach by the Optionee of his or her duties as an employee which is committed in bad faith or without reasonable belief that such reach is in the best interests of the Company and its affiliated companies (other than a breach arising from the failure of the Optionee to work as a result of incapacity due to physical or mental illness) and which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach, or

(4) the conviction of the Optionee of a felony that has been affirmed on appeal or as to which the period in which an appeal can be taken has lapsed.

d. "Change in Control" and "Change in Control Price" have the meanings set forth in Sections 6b and 6c of the Plan, respectively.

e. “Code” or “the Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

f. “Commission” or “the Commission” means the Securities and Exchange Commission or any successor agency.

g. “Committee” or “the Committee” means the committee referred to in Section 2 of the Plan.

h. “Company” or “the Company” means ABM Industries Incorporated, a Delaware corporation.

i. “Disability” means the inability of the Optionee to perform his or her duties as an employee on an active fulltime basis as a result of incapacity due to mental or physical illness which continues for more than ninety (90) days after the commencement of such incapacity, such incapacity to be determined by a physician selected by the Company or its insurers and acceptable to the Optionee or the Optionee’s legal representative (such agreement as to acceptability not to be withheld unreasonably).

j. “Eligible Person” has the meaning set forth in Section 4 of the Plan.

k. “Exchange Act” or “the Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and any comparable successor provisions.

l. For the purposes of this Plan, the term “fair market value,” when used in reference to the date of grant of an option or the date of surrender of Common Stock in payment for the purchase of shares pursuant to the exercise of an option, as the case may be, shall refer to the closing price of the Common Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on the day before such date as published in the “Wall Street Journal,” or if no sale price was quoted in any such Index on such date, then as of the next preceding date on which such a sale price was quoted; provided, however, that when the term “fair market value” is used in reference to the grant of an option which is effective on a future date set by the Compensation Committee, “fair market value” shall refer to the closing price of the Common Stock as quoted in the Composite Transactions Index for the New York Stock Exchange, on such effective date as published in the “Wall Street Journal.”

m. “Non-Employee Director” shall mean a member of the Board who qualifies as a Non-Employee Director as defined in Rule 16b-3, and also qualifies as an “outside director” for the purposes of Section 162(m) of the Code and the regulations promulgated thereunder.

n. “Optionee” shall mean any Eligible Person who has been granted Stock Options under the Plan.

o. “Plan” or “the Plan” means the ABM Industries Incorporated 2002 Price-Vested Performance Stock Option Plan, as set forth herein and as hereinafter amended from time to time.

p. “Retirement” means retirement from active full-time employment with the Company or any of its Affiliates at or after age sixty-four (64).

q. “Rule 16b-3” means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.

r. “Stock” means common stock, par value $0.01 per share, of the Company.

s. “Stock Option” or “Option” means an option granted under Section 5 of the Plan.

t. “Termination of Employment” means the termination of an Optionee’s employment with the Company or any of its Affiliates, excluding any such termination where there is a simultaneous reemployment by the Company or any of its Affiliates. An Optionee shall be deemed to have terminated employment if he or she ceases to perform services for the Company or any of its Affiliates on an active full-time basis, notwithstanding the fact that such Optionee continues to receive compensation or benefits pursuant to an employment contract or other agreement or arrangement with the Company or any of its Affiliates. A non-medical leave of absence shall, unless such leave of absence is otherwise approved by the Committee, be deemed a Termination of Employment. An Optionee employed by an Affiliate of the Company shall also be deemed to incur a Termination of Employment if that Affiliate ceases to be an Affiliate of the Company, as the case may be, and that Optionee does not immediately thereafter become an employee of the Company or any other Affiliate of the Company.

In addition, certain other terms have definitions given to them as they are used herein.

2. ADMINISTRATION.

The Plan shall be administered by the Executive Officer Compensation & Stock Option Committee of the Board or such other committee of the Board, composed solely of not less than two Non-Employee Directors, each of whom shall be appointed by and serve at the pleasure of the Board. If at any time no such committee(s) shall be in office, the functions of the Committee specified in the Plan shall be exercised by the Board.

The Committee shall have all discretionary authority to administer the Plan and to grant Stock Options pursuant to the terms of the Plan to senior executives of the Company and any of its Affiliates.

Among other things, the Committee shall have the discretionary authority, subject to the terms of the Plan:

a. to select the Eligible Persons to whom Stock Options may from time to time be granted;

b. to determine the number of shares of Stock to be covered by each Stock Option granted hereunder; and

c. to determine the terms and conditions of any Stock Option granted hereunder including, but not limited to, the option price (subject to Section 5a of the Plan) and any vesting condition, restriction or limitation based on such factors as the Committee shall determine.

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any Stock Option issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Stock Option shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Stock Option or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and plan participants, and shall be given the maximum deference permitted by law.

3. STOCK SUBJECT TO PLAN.

Subject to adjustment as provided herein, the total number of shares of Stock available for grant under the Plan shall be four million (4,000,000). No individual shall be eligible to receive Stock Options to purchase more than 200,000 shares of Stock under the Plan. Shares subject to a Stock Option under the Plan may be authorized and unissued shares or may be treasury shares.

If any Stock Option terminates without being exercised, shares subject to such Stock Option shall be available for further grants under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, or extraordinary distribution with respect to the Stock or other change in corporate structure affecting the Stock, the Committee or the Board may make such substitution or adjustments in the number, kind and option price of shares authorized or outstanding as Stock Options, and/or such other equitable substitution or adjustments as its may determine to be

appropriate in its sole discretion; provided, however, that the number of shares subject to any Stock Option shall always be a whole number.

4. ELIGIBILITY.

Senior executives who are actively employed on a full-time basis by the Company or any of its Affiliates, and who are responsible for or contribute to the management, growth and profitability of the business of the Company or any of Affiliates, are eligible to be granted Stock Options under the Plan ("Eligible Persons").

5. STOCK OPTIONS.

Any Stock Option granted under the Plan shall be in the form attached hereto as Annex "A", which is incorporated herein and made a part of the Plan, with such changes as the Committee may from time to time approve which are consistent with the Plan. None of the Stock Options granted under the Plan shall be "incentive stock options" within the meaning of Section 422 of the Code.

The grant of a Stock Option shall occur on the date the Committee selects a Senior Executive of the Company or any of its Affiliates to receive any grant of a Stock Option, determines the number of shares of Stock to be subject to such Stock Option to be granted to such Senior Executive, and specifies the terms and provisions of said Stock Option. Such selection shall be evidenced in the records of the Company whether in the minutes of the meetings of the Committee or by their consent in writing. The Company shall notify an Optionee of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Company to the Optionee.

Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Committee shall deem desirable:

a. Option Price. The option price per share of Stock purchasable under a Stock Option shall be no less than the Fair Market Value per share of Stock on the grant date.

b. Option Term. The term of each Stock Option shall be ten (10) years from its date of grant, unless earlier terminated.

c. Exercisability. Except as otherwise provided herein, each Stock Option shall be exercisable during its term only if such Stock Option has vested, and only after the first (1st) anniversary of its date of grant.

d. Vesting. Each Stock Option shall have assigned to it by the Committee a vesting price (the "Vesting Price") which will be used to provide for accelerated vesting so that such Stock Option will vest immediately if, on or before the close of business on the fourth (4th) anniversary of its date of grant, the Fair Market Value of the Common Stock shall

have been equal to or greater than the Vesting Price with respect to such Stock Option for ten (10) trading days in any period of thirty (30) consecutive trading days. Any Stock Option that has not vested on or before the close of business on the fourth (4th) anniversary of its date of grant shall vest at the close of business on the business day immediately preceding the eighth (8th) anniversary of its date of grant, if such Option has not previously terminated.

e. Method of Exercise. Subject to the provisions of this Section 5 of the Plan, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares of Stock subject to the Stock Option to be purchased.

The option price of Stock to be purchased upon exercise of any Option shall be paid in full:

(1) in cash (by certified or bank check or such other instrument as the Company may accept),

(2) in the discretion of the Committee, in the form of unrestricted Stock already owned by the Optionee for six (6) months or more and based on the Fair Market Value of the Stock on the date the Stock Option is exercised,

(3) in any other form approved in the discretion of the Committee, or

(4) by any combination thereof.

In the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

No shares of Stock shall be issued until full payment therefor has been made. The Optionee shall have all of the rights of a stockholder of the Company holding the Stock that is subject to such Stock Option (including, if applicable, the right to vote the share and the right to receive dividends), only when the Optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 9a of the Plan.

f. Non-transferability of Stock Options. No Stock Option shall be transferable by the Optionee other than:

(1) pursuant to a beneficiary designation satisfactory to the Committee, or

(2) by will or by the laws of descent and distribution. All Stock Options shall be exercisable, during the Optionee's lifetime, only by the Optionee or by the guardian or legal representative of the Optionee, it being understood that the terms "holder" and "Optionee" include the guardian and legal representative of the Optionee named in the option agreement and any person to whom an option is transferred by will or the laws of descent and distribution or pursuant to a qualified domestic relations order. The Committee may establish such procedures as it deems appropriate for an Optionee to designate a beneficiary to whom any amounts payable in the event of the Optionee's death are to be paid or by whom any rights of the Optionee, after the Optionee's death, may be exercised.

g. Termination by Death, Disability, Retirement or by the Company Without Cause. If the Optionee's employment terminates by reason of death, Disability or Retirement, or if such employment is terminated by the Company without Cause, in each case prior to the vesting of a Stock Option held by the Optionee, the following provisions shall apply:

(1) if termination occurs by death or Disability, or by the Company without Cause, such Stock Options shall be exercisable only within ninety (90) days of such termination, and only if such Stock Options are then vested; and

(2) if termination occurs by Retirement or other "voluntary quit," such Stock Options shall terminate immediately.

h. Termination by the Company for Cause. If the Optionee's employment is terminated by the Company for Cause prior to the vesting of a Stock Option, such Stock Options shall terminate immediately.

i. Termination After Vesting. If the Optionee's employment is terminated for any reason after a Stock Option has vested, such Stock Options shall be exercisable only within ninety (90) days of such termination,

j. Change in Control Cash Out. Notwithstanding any other provision of the Plan, upon the occurrence of a Change of Control all outstanding Stock Options shall immediately vest and become fully exercisable, and during the ninety (90) day period from and after such Change in Control (the "Exercise Period"), the Optionee shall have the right, in lieu of the payment of the exercise price for the shares of Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within ninety (90) days of such notice, in an amount equal to the amount by which the Change in Control Price per share of Stock on the date of such election shall exceed the exercise price per share of Stock under the Stock Option (the "Spread"), multiplied by the number of shares of Stock granted under the Stock Option as to which the right granted under this Section 5j of the Plan shall have been exercised.

6. CHANGE IN CONTROL PROVISIONS.

a. Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control, any Stock Options outstanding as of the date such Change in Control is determined to have occurred, and not then vested and exercisable, shall become vested and exercisable to the full extent of the original grant, provided that such accelerated vesting shall occur only if the Optionee is an active full-time employee of the Company or any of its Affiliates as of such date.

b. Definition of Change in Control. For purposes of the Plan, a "Change in Control" shall mean the happening of any of the following events:

(i) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any person or by any group of persons, within the meaning of Section 13(d) or 14(d) of the Exchange Act of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of twenty-five percent or more of either the outstanding shares of common stock or the combined voting power of the Company's outstanding voting securities entitled to vote generally, if the acquisition was not previously approved by the existing directors;

(ii) the acquisition (other than by the Company or by an employee benefit plan or related trust sponsored or maintained by the Company), directly or indirectly, in one or more transactions, by any such person or by any group of persons of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of fifty percent or more of either the outstanding shares of common stock or the combined voting power of the Company's outstanding voting securities entitled to vote generally, whether or not the acquisition was approved by the existing directors, other than an acquisition that complies with clause (x) and (y) of paragraph (iii) below;

(iii) consummation of a reorganization, merger or consolidation of the Company or the sale or other disposition of all or substantially all of the Company's assets unless, immediately following such event, (x) all or substantially all of the stockholders of the Company immediately prior to such event own, directly or indirectly, seventy-five percent or more of the then outstanding voting securities entitled to vote generally of the resulting corporation (including without limitation, a corporation which as a result of such event owns the Company or all or substantially all of the Company's assets either directly or their ownership of the Company's outstanding voting securities entitled to vote generally immediately prior to such event and (y) the securities of the surviving or resulting corporation received or retained by the stockholders of the Company is publicly traded;

(iv) approval by the stockholders of the complete liquidation or dissolution of the Company; or

(v) a greater than one-third change in the composition of the Board of Directors within 24 months if not approved by a majority of the pre-existing directors.

c. Change in Control Price. For purposes of the Plan, "Change in Control Price" means the higher of:

(1) the highest reported sales price, regular way, of a share of Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national securities exchange on which such shares are listed or on Nasdaq, as applicable, during the ninety (90) day period prior to and including the date of a Change in Control, and or

(2) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of a Stock Option which:

(a) is held by an Optionee who is an officer of the Company and is subject to Section 16(b) of the Exchange Act, and

(b) was granted within two hundred and forty (240) days of the Change in Control, then the Change in Control Price for such Stock Option shall be the Fair Market Value of the Stock on the date such Stock Option is exercised or canceled. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Board.

7. TERM, AMENDMENT AND TERMINATION.

The Plan will terminate on December 11, 2011. Stock Options outstanding as of December 11, 2011 shall not be affected or impaired by the termination of the Plan.

The Committee shall have authority to amend the Plan without the approval of the Company's stockholders to take into account changes in law and tax and accounting rules, including Rule 16b-3 and Section 162(m) of the Code; provided that no amendment shall be made without the Optionee's consent which would impair the rights of an Optionee under a Stock Option theretofore granted.

8. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an “unfunded” plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the “unfunded” status of the Plan.

9. GENERAL PROVISIONS.

a. The Committee may require each person purchasing shares pursuant to a Stock Option to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Stock under the Plan prior to fulfillment of all of the following conditions:

(1) the listing or approval for listing

(2) any registration or other qualification

(3) the obtaining of any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

b. Nothing contained in the Plan shall prevent the Company or any of its Affiliates from adopting other or additional compensation arrangements for any Optionee.

c. The adoption of the Plan shall not confer upon any Optionee any right to continued employment, nor shall it interfere in any way with the right of the Company or any of its Affiliates to terminate the employment of any Optionee with or without cause at any time whatsoever absent a written employment contract to the contrary.

d. No later than the date as of which an amount first becomes includable in the gross income of the Optionee for federal income tax purposes with respect to any Stock Option under the Plan, and prior to the delivery of any shares of Stock to any Optionee, the Optionee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld by the Company with respect to such amount. In the discretion of the Committee, withholding obligations may be settled with Stock in an amount having a Fair Market Value not exceeding the minimum withholding tax payable by the Optionee with respect to the income recognized, including Stock that is subject to the Stock Option that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and any of its

Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Optionee. The Committee shall establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with Stock.

e. In the case of a grant of a Stock Option to any employee of a Company Affiliate, the Company, may, if the Committee so directs, issue or transfer the shares of Stock covered by the Stock Option to the Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer the shares of Stock to that Optionee in accordance with the terms of the Stock Option specified by the Committee pursuant to the provisions of the Plan.

f. The Plan and all Stock Options made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of law.

10. EFFECTIVE DATE OF PLAN.

Subject to approval by the stockholders of the Company, the Plan shall be effective on December 11, 2001.

 EXHIBIT 10.3

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is effective as of June 7, 2005, by and between Henrik C. Slipsager ("Executive") and **ABM Industries Incorporated** ("ABM") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, the subsidiaries of ABM are engaged in the building maintenance and related service businesses, and

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

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

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

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

NOW THEREFORE, Executive and ABM agree as follows:

1. **EMPLOYMENT.** ABM hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. **TITLE.** Executive's title shall be President and Chief Executive Officer of ABM, subject to modification as mutually agreed upon by ABM and Executive.

3. **DEFINITIONS.** The capitalized terms used in this agreement shall have the following definitions:

A. "AAA" means the American Arbitration Association.

B. "ABM" means ABM Industries Incorporated and its successors and assigns.

C. "Base Salary" means the salary paid under Paragraph 7A for the applicable Fiscal Year.

D. "Board" means the Board of Directors of ABM.

E. “Bonus” means a performance-based bonus payable under Paragraph 7B of this Agreement.

F. “Company” means ABM, its subsidiaries, successors, and assigns.

G. “Compensation Committee” means the Compensation Committee of the Board.

H. “EPS” means earnings per share for the applicable Fiscal Year as reported by ABM in its Annual Report on Form 10-K.

I. “Executive” means Henrik C. Slipsager.

J. “Extended Term” means the period for which this agreement is extended under Paragraph 15 of this Agreement.

K. “Fiscal Year” means the period beginning on November 1 of a calendar year and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as ABM’s fiscal year.

L. “Independent Directors” means the directors designated by the Board of Directors as independent directors, which persons shall qualify as independent under the rules and regulations of the New York Stock Exchange.

M. “Independent Majority” means a majority of the Independent Directors present at a duly constituted meeting of the Board.

N. “Initial Term” is the period beginning on June 7, 2005 and ending October 31, 2008 unless sooner terminated under Paragraph 16 of this Agreement.

O. “Insurance Contribution” means ABM’s contribution to provide group health and life insurance for Executive and excludes any payment by Executive for such coverage.

P. “Just Cause” means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive’s performance of his employment duties, (vi) material and willful breach of this Agreement, (vii) other misconduct, unethical or unlawful activity, (viii) a conviction of or plea of “guilty” or “no contest” to a felony under the laws of the United States or any state thereof, or (ix) a conviction of or plea of “guilty” or “no contest” to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

Q. “Modification Period” means the remainder of the Initial or the then current Extended Term, as applicable, of this Agreement, following the change in Executive’s employment status from that of a full-time employee to that of a part-time employee under Paragraph 14 of this Agreement.

R. “Performance Assessment” means the Compensation Committee’s annual assessment of Executive’s performance against the Performance Criteria.

S. “Performance Criteria” means the performance criteria for Executive established annually by the Compensation Committee in accordance with Paragraph 7B of this Agreement.

T. “Proprietary Information” means the Company’s proprietary trade secrets and other confidential information not in the public domain, including but not limited to specific customer data such as: (i) the identity of the Company’s customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with services and products purchased from the Company, (iii) any particular needs or preferences regarding its service or supply requirements, (iv) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (v) its billing procedures, (vi) its credit limits and payment practices, and (vii) its organization structure.

U. “Section 162(m)” means Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor statute.

V. “Significant Transaction” means the Company’s acquisition or disposition of a business or assets which ABM is required to report under Item 2.01 of Form 8-K under the rules and regulations issued by the Securities and Exchange Commission.

W. “State of Employment” means California.

X. “Target Bonus” means 50% of Executive’s Base Salary.

Y. “Total Disability” means Executive’s inability to perform his duties under this Agreement and shall be deemed to occur on the 91st consecutive or non-consecutive calendar day within any 12 month period that Executive is unable to perform his duties under this Agreement because of any physical or mental illness or disability.

Z. “WTC Related Gain” means the total amount of all items of income included in ABM’s audited consolidated financial statements for any Fiscal Year that result from ABM’s receipt of insurance proceeds or other compensation or damages due to ABM’s loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.

4. **DUTIES & RESPONSIBILITIES.** Executive shall assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by ABM's Board of Directors, to which Executive shall report and be accountable.

5. **TERM OF AGREEMENT.** This agreement shall end on October 31, 2008, unless sooner terminated pursuant to Paragraph 16 or later extended to an Extended Term under Paragraph 15 of this Agreement.

6. **PRINCIPAL OFFICE.** During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at an ABM office located in the State of Employment or such other location as shall be mutually agreed upon by ABM and Executive.

7. **COMPENSATION.** ABM agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

A. SALARY. A salary paid in equal installments no less frequently than semi-monthly at the annual rate of $677,950. Executive shall be eligible, at the sole discretion of the Independent Majority, to receive a merit increase based on Executive's job performance or for any other reason deemed appropriate by the Independent Majority.

B. BONUS. Subject to subparagraphs (iii), (iv) and (v) below, Executive shall be entitled to a Bonus for each Fiscal Year, as follows:

i. Executive's Bonus may range from 0% to 150% of the Target Bonus and shall be based on the Performance Assessment of Executive for the applicable Fiscal Year evaluated on the basis of the Performance Criteria. Performance Criteria may include both ABM and individual objectives, may be both qualitative and quantitative in nature and shall be established and communicated to Executive within 90 days after the beginning of the Fiscal Year for which they apply. The Performance Assessment for each Fiscal Year shall be the responsibility of the Compensation Committee. The determination of the Bonus amount for each Fiscal Year shall be determined by the Independent Majority following its receipt of the Compensation Committee's Performance Assessment.

ii. The Compensation Committee reserves the right at any time to adjust the Performance Criteria in the event of a Significant Transaction and/or for any unanticipated and material events that are beyond the control of ABM, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, rules of the New York Stock Exchange and/or for any other reason which the Compensation Committee determines, in good faith, to be appropriate.

iii. ABM shall pay Executive the Bonus for each Fiscal Year following completion of the audit of ABM's financial statements for such Fiscal Year and within 10 days after determination of the Bonus by the Independent Majority. In the event of modification of employment under Paragraph 14 or termination of employment hereunder other than (a) a termination under Paragraph 16B or (b) a termination under Paragraph 16C for reasons other than Executive's health, ABM shall pay Executive, within 75 days thereafter, a prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of modification or termination.

iv. Absent bad faith or material error, any conclusions of the Compensation Committee or the Independent Majority with respect to the Performance Criteria, the Performance Assessment, or the Actual Bonus shall be final and binding upon Executive and ABM.

v. No Bonus for any Fiscal Year of ABM (other than the payment of a prorated portion of the Target Bonus under Paragraph 7B(iii) following a modification or termination of employment) shall be payable unless ABM's EPS for the Fiscal Year then ending is equal to or greater than 80% of ABM's EPS for the previous Fiscal Year of ABM, in each case excluding any gains and losses from sales of discontinued operations and any WTC Related Gain.

vi. Notwithstanding any other provision of this Agreement, the Independent Majority may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus or the bonus range set forth in subparagraph (i) above. The Independent Majority's decision in this regard shall be deemed final and binding on Executive. In addition, the Independent Majority may grant a discretionary incentive bonus to Executive at any time in its sole discretion.

C. FRINGE BENEFITS. Executive shall receive the then current fringe benefits generally provided by ABM to its Executives. Such benefits may include but not be limited to the use of an ABM-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable ABM policy at all times. Executive expressly agrees that should he terminate employment with ABM for the purpose of being re-employed by an ABM subsidiary or affiliate, he shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate. ABM reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to senior executives at ABM.

D. LIMIT. To the extent that any compensation to be paid to Executive under this Agreement would cause compensation payable to Executive to be non-deductible by ABM as a result of the $1 million compensation limit provisions of Section 162(m), Executive agrees that any such amount in excess of $1 million shall not be paid out to Executive but shall be deferred by Executive under the ABM Deferred Compensation Plan. The distribution of such deferred amounts will be made only after Executive is no longer considered a "covered employee" as defined in Section 162(m). Amounts deferred by Executive will be credited with interest or gains and losses in accordance with the ABM Deferred Compensation Plan.

E. POST RETIREMENT HEALTH INSURANCE ASSISTANCE. If and only after Executive retires from employment with ABM at age 65 or later and concluding no later than 10 years thereafter, ABM shall pay Executive $10,000 per year to assist Executive in purchasing health insurance for Executive and his spouse; provided, however, that such payment shall be reduced to $5,000 per year upon the death of Executive's spouse. In the event that Executive dies prior to the expiration of such ten-year period, ABM shall pay Executive's surviving spouse $5,000 per year until the first to occur of (i) the death of Executive's spouse or (b) the end of the ten-year period. In the event that Executive retires, dies, or otherwise terminates employment prior to age 65, ABM shall have no obligations under this Paragraph 7E.

8. **PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES.** ABM shall pay directly or reimburse Executive for reasonable business expenses of ABM incurred by Executive in connection with ABM business in accordance with the ABM Travel & Entertainment Policy, and approved in accordance with policies and procedures adopted by the Audit Committee of the Board.

9. **BUSINESS CONDUCT.** Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

A. GOOD FAITH. Executive shall not act in any way contrary to the best interest of the Company.

B. BEST EFFORTS. During all full-time employment hereunder, Executive shall devote full working time and attention to ABM.

C. VERACITY. Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of the Company that are unauthorized by the Company or are in any way untrue.

D. POSSIBLE CHANGE OF CONTROL. Executive agrees that if he is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of ABM, Executive will immediately advise ABM's General Counsel and Chair of the Governance Committee of the Board.

E. CODE OF BUSINESS CONDUCT. Executive agrees to fully comply with and annually execute a certification of compliance with ABM's Code of Business Conduct.

F. OTHER LAWS. Executive agrees to fully comply with the other laws and regulations that govern his performance and receipt of compensation under this Agreement, including but not limited to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

10. **NO CONFLICT.** Executive represents to ABM that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with ABM that have not been fully disclosed to ABM prior to the signing of this Agreement.

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

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

A. PROPRIETARY INFORMATION. Executive agrees to utilize and further the Company's goodwill among its customers, sales prospects and employees, and acknowledges that the Company may disclose to Executive and Executive may disclose to the Company Proprietary Information.

B. DUTY OF LOYALTY. Executive agrees that the Proprietary Information and the Company's goodwill have unique value to the Company, are not generally known or readily available to the Company's competitors, and could only be developed by others after investing significant time and money. ABM makes the Proprietary Information and the Company's goodwill available to Executive in reliance on Executive's agreement to hold the Proprietary Information and the Company's goodwill in trust and confidence. Executive hereby acknowledges that to use this Proprietary Information and the Company's goodwill other than for the benefit of

the Company would be a breach of such trust and confidence and a violation of Executive's duty of loyalty to the Company.

13. RESTRICTIVE COVENANTS. In recognition of Paragraph 12 above, Executive hereby agrees that during the term of this Agreement and thereafter as specifically agreed herein:

A. NON-SOLICITATION OF EMPLOYEES. While employed by ABM and for a period of one year following Executive's termination of employment, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with the Company except in the proper performance of this Agreement.

B. NON-DISCLOSURE. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, the Company.

C. NON-SOLICITATION OF CUSTOMERS. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and ABM hereby agree to be one year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of the Company within one year prior to termination of this Agreement. In addition, Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of ABM through the direct or indirect use of any Proprietary Information or by any other unfair or unlawful business practice.

D. NON-DISPARAGEMENT. During Executive's employment with ABM and for a period of two years following termination of employment (whether voluntary or involuntary), Executive agrees not to make any comment or take any action which disparages, defames, or places in a negative light the Company, its past and present officers, directors, and employees. ABM agrees that during this same period, its officers and directors shall refrain from making any comment or taking any action to disparage, defame, or place Executive in a negative public light.

E. COOPERATION. Upon termination of employment hereunder, Executive shall cooperate with Company in its defense or prosecution of any current or future matter in any forum, including but not limited to lawsuits, federal, state or local agency claims, audits and investigations, and internal and external investigations concerning any matter in which he was involved during his employment with ABM or about which he has or should have knowledge and information. Executive's cooperation shall include, but is not limited to, meeting with ABM's in-house and/or outside attorneys, communicating his knowledge of relevant facts

to ABM's attorneys, experts, consultants, investigators, executives, management and human resources employees and other representatives, reviewing and commenting on any relevant documents, preparing any requested documentation and testifying at depositions, hearings, arbitrations, trials and any other forum at which Executive's participation and testimony is requested by ABM. In performing the tasks outlined in this Paragraph 13E, Executive shall be bound by the covenants of good faith and veracity set forth in Paragraph 9 of this Agreement and as outlined in ABM's Code of Business Conduct and Ethics. In performing responsibilities under this Paragraph 13E, Executive shall be compensated for his time at an hourly rate of $400 per hour.

F. LIMITATIONS. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

14. MODIFICATION OF EMPLOYMENT. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, upon approval of a majority of the non-management directors of the Board, the Board shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to remove Executive as Chief Executive Officer and to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, from that of a full-time employee to that of a part-time employee. The Modification Period shall commence immediately upon ABM giving Executive written notice of such change.

A. MODIFICATION ACTIONS. Upon commencement of the Modification Period: (i) Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries, as applicable, (ii) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph 11 of this Agreement, and (iii) ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus pursuant to Paragraph 7B(iii), or other contingent compensation, reimbursement of business expenses and fringe benefits.

B. MODIFICATION OBLIGATIONS. During the Modification Period: (i) Executive shall be deemed a part-time employee and not a full-time employee of ABM, (ii) Executive shall provide ABM with such occasional executive or managerial services as reasonably requested by the person(s) designated by the Board, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death, or unavailability because of absence from the State of Employment, shall not affect Executive's right to receive payments under subparagraph 14B(iii), (iii) ABM shall continue to pay Executive's monthly salary pursuant to Paragraph 7A of this Agreement and shall pay directly to Executive a monthly amount equal to the Insurance

Contribution immediately prior to the beginning of the Modification Period, (iv) Executive shall not be eligible or entitled to receive a Bonus with respect to the Modification Period or participate in any bonus or fringe benefits other than the ABM Employee Stock Purchase Plan and 401(k) plan provided that Executive continues to qualify under the terms of such plans, (v) Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, and (vi) ABM shall pay directly or reimburse Executive in accordance with the provisions of Paragraph 8 of this Agreement for reasonable business expenses of ABM incurred by Executive in connection with such services requested by the person(s) designated by the Board.

C. MODIFICATION PERIOD. The Modification Period shall continue until the earlier of: (i) Total Disability or death, (ii) termination of this Agreement by ABM for Just Cause, (iii) Executive accepts employment or receives any other compensation from operating, assisting or otherwise being involved or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (iv) expiration of the then current Initial or Extended Term, as applicable, of this Agreement.

15. EXTENSION OF EMPLOYMENT.

A. RENEWAL. Absent at least 90 days written notice of termination of employment or notice of non-renewal from ABM to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year.

B. NOTICE OF NON-RENEWAL. In the event that notice of non-renewal is given 90 days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an “at will” basis following the expiration of such Initial or Extended Term. In such event, ABM shall have the right to terminate Executive’s employment or to change the terms and conditions of Executive’s employment, including but not limited to Executive’s position and/or compensation .

16. TERMINATION OF EMPLOYMENT.

A. TERMINATION UPON EXPIRATION OF TERM. Subject to at least 90 days prior written notice of termination of employment, Executive’s employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. ABM has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph 7 of this Agreement, for any or all of such notice period.

B. TERMINATION FOR CAUSE. ABM may terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Just Cause.

C. VOLUNTARY TERMINATION BY EXECUTIVE. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving ABM 90 days prior written notice**.**

D. DISABILITY OR DEATH. Employment hereunder shall automatically terminate upon the Total Disability or death of Executive. ABM shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

E. ACTIONS UPON TERMINATION. Upon termination of employment hereunder, Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries or affiliates, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph 11 of this Agreement. ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits.

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

18. DISPUTE RESOLUTION.

A. ARBITRATION. Except as provided in Paragraph 18B below, any claim or dispute related to or arising from this Agreement (whether based in contract, statute or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by binding arbitration in accordance with the following procedures:

i. The arbitration shall be administered by AAA.

ii. Except as modified herein, the arbitration proceeding shall be administered pursuant to AAA's Commercial Rules.

iii. The parties will mutually agree upon two neutral arbitrators who shall be respectively designated the “Pre-hearing Arbitrator” and the “Hearing Arbitrator.” The Pre-hearing Arbitrator shall preside over all issues or disputes arising prior to the hearing on the merits, including discovery issues and pre-hearing motions. The Hearing Arbitrator shall preside over the formal hearing on the merits and shall have the sole authority to issue a final and binding award in the matter.

iv The parties may conduct the following discovery as a matter of right: (a) two depositions per side, (b) 35 non-compound interrogatories per side, which shall be answered under penalty of perjury by the responding party, (c) 35 non-compound document requests, which shall be answered under penalty of perjury by the responding party. Any additional discovery shall only take place as stipulated by the parties, as provided by the AAA’s Commercial Rules, or as ordered by the Pre-hearing Arbitrator.

v. The Pre-hearing Arbitrator shall hear and rule upon such motions for summary judgment or summary adjudication as might be made by either party. Upon receipt of such a motion, the Pre-hearing Arbitrator shall consult with the parties and establish both a hearing date and a briefing schedule which allows an opposition and reply submission prior to the hearing.

vi. The cost of such arbitration shall be borne by ABM.

vii. Any such arbitration must be requested in writing within one year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived.

viii. Any such arbitration shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

B. LITIGATION / COURT ACTION. Disputes involving the threatened or actual breach of obligations set forth in Paragraphs 12 and 13 of this Agreement shall not be subject to arbitration. Rather, any such disputes shall be resolved through civil litigation, which may be filed in any court of competent jurisdiction.

19. REMEDIES & DAMAGES.

A. INJUNCTIVE RELIEF. The parties agree that compliance with Paragraphs 12 and 13 of this Agreement is necessary to protect the business and goodwill of the Company, and that any breach of such Paragraphs will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of

Paragraphs 12 and 13 of this Agreement by Executive, ABM and Executive agree that ABM shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.

B. WITHHOLDING AUTHORIZATION. To the fullest extent permitted under the laws of the State of Employment hereunder, Executive authorizes ABM to withhold from any severance payments otherwise due to Executive and from any other funds held for Executive's benefit by ABM, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of the underlying dispute as provided in Paragraph 18 above.

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

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

22. SURVIVAL. All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Paragraphs 13 and 18 of this Agreement, shall remain in full force and effect after the termination of this Agreement.

23. REPRESENTATIONS. Executive represents and agrees that he has carefully read and fully understands all of the provisions of this Agreement, that he is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he chooses to do so.

24. NOTICES.

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

Executive: **Henrik C. Slipsager**
17 Stratton Road
Purchase, NY10577

ABM: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Board of Directors

Copy: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

B. RECEIPT. Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.

23. ENTIRE AGREEMENT. Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and ABM, and may only be changed by a written amendment signed by both Executive and ABM.

A. NO EXTERNAL EVIDENCE. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

B. SUPERSEDES OTHER AGREEMENTS. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and ABM prior to the date of this Agreement as well as all conflicting provisions of Company's Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

C. AMENDMENTS. This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and the Chair of the Compensation Committee.

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

Executive: Henrik C. Slipsager

Signature: /s/ Henrik C. Slipsager

Date: June 14, 2005

ABM: ABM Industries Incorporated

Signature: /s/ Maryellen C. Herringer
Maryellen C. Herringer

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

Date: June 14, 2005

 EXHIBIT 10.4

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is effective July 12, 2005, by and between **James P. McClure** ("Executive") and **ABM Industries Incorporated** ("ABM") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, the subsidiaries of ABM are engaged in the building maintenance and related service businesses, and

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

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

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

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

NOW THEREFORE, Executive and ABM agree as follows:

1. **EMPLOYMENT.** ABM hereby agrees to employ Executive at one or more of its subsidiaries, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. **TITLE.** Executive's title shall be Executive Vice President of ABM and President of ABM Janitorial Services, subject to modification as determined by ABM's Board of Directors.

3. **DEFINITIONS.** The capitalized terms used in this agreement shall have the following definitions:

A. "AAA" means the American Arbitration Association.

B. "ABM" means ABM Industries Incorporated and its successors and assigns.

C. "Base Salary" means the salary paid under Paragraph 7A for the applicable Fiscal Year.

D. "Board" means the Board of Directors of ABM.

E. "Bonus" means a performance-based bonus payable under Paragraph 7B of this Agreement.

F. "Chief Executive Officer" means the Chief Executive Officer of ABM.

G. "Company" means ABM, its subsidiaries, successors, and assigns.

H. "Compensation Committee" means the Compensation Committee of the Board.

I. "EPS" means earnings per share for the applicable Fiscal Year as reported by ABM in its Annual Report on Form 10-K.

J. "Executive" means James P. McClure.

K. "Extended Term" means the period for which this agreement is extended under Paragraph 15 of this Agreement.

L. "Fiscal Year" means the period beginning on November 1 of a calendar year and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as ABM's fiscal year.

M. "Initial Term" is the period beginning on July 12, 2005 and ending October 31, 2007, unless sooner terminated under Paragraph 16 of this Agreement.

N. "Insurance Contribution" means ABM's contribution to provide group health and life insurance for Executive and excludes any payment by Executive for such coverage.

O. "Just Cause" means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive's performance of his employment duties, (vi) material and willful breach of this Agreement, (vii) other misconduct, unethical or unlawful activity, (viii) a conviction of or plea of "guilty" or "no contest" to a felony under the laws of the United States or any state thereof, or (ix) a conviction of or plea of "guilty" or "no contest" to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

P. "Modification Period" means the remainder of the Initial or the then current Extended Term, as applicable, of this Agreement, following the change in Executive's employment status from that of a full-time employee to that of a part-time employee under Paragraph 14 of this Agreement.

Q. "Performance Assessment" means the Chief Executive Officer's annual assessment of Executive's performance against the Performance Criteria.

R. "Performance Criteria" means the performance criteria for Executive established annually by the Compensation Committee in accordance with Paragraph 7B of this Agreement.

S. "Proprietary Information" means Company's proprietary trade secrets and other confidential information not in the public domain, including but not limited to specific customer data such as: (i) the identity of Company's customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with services and products purchased from Company, (iii) any particular needs or preferences regarding its service or supply requirements, (iv) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (v) its billing procedures, (vi) its credit limits and payment practices, and (vii) its organization structure.

T. "Section 162(m)" means Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor statute.

U. "Significant Transaction" means Company's acquisition or disposition of a business or assets which ABM is required to report under Item 2.01 of Form 8-K under the rules and regulations issued by the Securities and Exchange Commission.

V. "Target Bonus" means 40% of Executive's Base Salary.

W. "Total Disability" means Executive's inability to perform his duties under this Agreement and shall be deemed to occur on the 91st consecutive or non-consecutive calendar day within any 12 month period that Executive is unable to perform his duties under this Agreement because of any physical or mental illness or disability.

X. "WTC Related Gain" means the total amount of all items of income included in ABM's audited consolidated financial statements for any Fiscal Year that result from Company's receipt of insurance proceeds or other compensation or damages due to Company's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.

4. DUTIES & RESPONSIBILITIES. Executive shall assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Chief Executive Officer or such other officer designated by the Chief Executive Officer, to whom Executive shall report and be accountable.

5. **TERM OF AGREEMENT.** This agreement shall end on October 31, 2007, unless sooner terminated pursuant to Paragraph 16 or later extended to an Extended Term under Paragraph 15 of this Agreement.

6. **PRINCIPAL OFFICE.** During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at Company offices located in the State of Texas and the State of California or such other location as shall be mutually agreed upon by ABM and Executive.

7. **COMPENSATION.** ABM agrees to cause Executive to be compensated by one or more subsidiaries, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

A. SALARY. A salary paid in equal installments no less frequently than semi-monthly at the annual rate of $439,300. Executive shall be eligible, at the sole discretion of the Compensation Committee, to receive a merit increase based on Executive's job performance or for any other reason deemed appropriate by the Compensation Committee.

B. BONUS. Subject to subparagraphs (iii), (iv) and (v) below, Executive shall be entitled to a Bonus for each Fiscal Year, as follows:

i. Executive's Bonus may range from 0% to 150% of the Target Bonus and shall be based on the Performance Assessment of Executive for the applicable Fiscal Year evaluated on the basis of the Performance Criteria. Performance Criteria may include both Company and individual objectives, may be both qualitative and quantitative in nature and shall be established by the Chief Executive Officer, reviewed by the Compensation Committee, and communicated to Executive within 90 days after the beginning of the Fiscal Year for which they apply. The 2005 Performance Criteria are attached as Exhibit A to this Agreement. The Performance Assessment for each Fiscal Year shall be the responsibility of the Chief Executive Officer, who shall submit the Performance Assessment to the Compensation Committee on the Calculation Worksheet attached as Exhibit B to this Agreement. The determination of the Bonus amount for each Fiscal Year shall be determined by the Compensation Committee based upon the Performance Assessment and the recommendation of the Chief Executive Officer.

ii. The Compensation Committee reserves the right at any time to adjust the Performance Criteria in the event of a Significant Transaction and/or for any unanticipated and material events that are beyond the control of Company, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission, rules of the New York Stock Exchange and/or for any other

reason which the Compensation Committee determines, in good faith, to be appropriate.

iii. Company shall pay Executive the Bonus for each Fiscal Year following completion of the audit of ABM's financial statements for such Fiscal Year and within 10 days after determination of the Bonus by the Compensation Committee. In the event of modification of employment under Paragraph 14 or termination of employment hereunder other than (a) a termination under Paragraph 16B, (b) a termination under Paragraph 16C for reasons other than Executive's health, or (c) Executive's retiring at age 65 or more with no less than 10 years of employment at Company, Company shall pay Executive, within 75 days thereafter, a prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of modification or termination.

iv. Absent bad faith or material error, any conclusions of the Chief Executive Officer with respect to the Performance Assessment or the Compensation Committee with respect to the Performance Criteria or the Bonus shall be final and binding upon Executive and Company.

v. No Bonus for any Fiscal Year of ABM (other than the payment of a prorated portion of the Target Bonus under Paragraph 7B(iii) following a modification or termination of employment) shall be payable unless ABM's EPS for the Fiscal Year then ending is equal to or greater than 80% of ABM's EPS for the previous Fiscal Year of ABM, in each case excluding any gains and losses from sales of discontinued operations and any WTC Related Gain.

vi. Notwithstanding any other provision of this Agreement, the Compensation Committee may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus or the bonus range set forth in subparagraph (i) above. The Compensation Committee's decision in this regard shall be deemed final and binding on Executive. In addition, the Compensation Committee may grant a discretionary incentive bonus to Executive at any time in its sole discretion.

C. FRINGE BENEFITS. Executive shall receive the then current fringe benefits generally provided by ABM to its executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable Company policy at all times. Executive expressly agrees that should he terminate employment with an ABM subsidiary for the purpose of being re-employed by another ABM subsidiary or affiliate, he shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate. ABM reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such

benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to senior executives at ABM.

D. LIMIT. To the extent that any compensation to be paid to Executive under this Agreement would cause compensation payable to Executive to be non-deductible by ABM as a result of the $1 million compensation limit provisions of Section 162(m), Executive agrees that any such amount in excess of $1 million shall not be paid out to Executive but shall be deferred by Executive under the ABM Deferred Compensation Plan. The distribution of such deferred amounts will be made only after Executive is no longer considered a "covered employee" as defined in Section 162(m). Amounts deferred by Executive will be credited with interest or gains and losses in accordance with the ABM Deferred Compensation Plan.

8. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES. Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business in accordance with the ABM Travel & Entertainment Policy.

9. BUSINESS CONDUCT. Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

A. GOOD FAITH. Executive shall not act in any way contrary to the best interest of Company.

B. BEST EFFORTS. During all full-time employment hereunder, Executive shall devote full working time and attention to Company.

C. VERACITY. Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.

D. POSSIBLE CHANGE OF CONTROL. Executive agrees that if he is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of ABM, Executive will immediately advise the Chief Executive Officer, ABM's General Counsel and the Chair of the Governance Committee of the Board.

E. CODE OF BUSINESS CONDUCT. Executive agrees to fully comply with and annually execute a certification of compliance with ABM's Code of Business Conduct.

F. OTHER LAWS. Executive agrees to fully comply with the other laws and regulations that govern his performance and receipt of compensation under this Agreement.

10. **NO CONFLICT.** Executive represents to Company that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with Company that have not been fully disclosed to ABM prior to the signing of this Agreement.

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

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

A. PROPRIETARY INFORMATION. Executive agrees to utilize and further Company's goodwill among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company Proprietary Information.

B. DUTY OF LOYALTY. Executive agrees that the Proprietary Information and Company's goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company makes the Proprietary Information and Company's goodwill available to Executive in reliance on Executive's agreement to hold the Proprietary Information and Company's goodwill in trust and confidence. Executive hereby acknowledges that to use this Proprietary Information and Company's goodwill other than for the benefit of Company would be a breach of such trust and confidence and a violation of Executive's duty of loyalty to Company.

13. **RESTRICTIVE COVENANTS.** In recognition of Paragraph 12 above, Executive hereby agrees that during the term of this Agreement and thereafter as specifically agreed herein:

A. NON-SOLICITATION OF EMPLOYEES. While employed by Company and for a period of one year following Executive's termination of employment, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for

any employee to terminate employment with Company except in the proper performance of this Agreement.

B. NON-DISCLOSURE. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.

C. NON-SOLICITATION OF CUSTOMERS. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and ABM hereby agree to be one year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within one year prior to termination of this Agreement. In addition, Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information or by any other unfair or unlawful business practice.

D. NON-DISPARAGEMENT. During Executive's employment with Company and for a period of two years following termination of employment (whether voluntary or involuntary), Executive agrees not to make any comment or take any action which disparages, defames, or places in a negative light Company, its past and present officers, directors, and employees. ABM agrees that during this same period, its officers and directors shall refrain from making any comment or taking any action to disparage, defame, or place Executive in a negative public light.

E. COOPERATION. Upon termination of employment hereunder, Executive shall cooperate with Company in its defense or prosecution of any current or future matter in any forum, including but not limited to lawsuits, federal, state or local agency claims, audits and investigations, and internal and external investigations concerning any matter in which he was involved during his employment with Company or about which he has or should have knowledge and information. Executive's cooperation shall include, but is not limited to, meeting with Company's in-house and/or outside attorneys, communicating his knowledge of relevant facts to Company's attorneys, experts, consultants, investigators, executives, management and human resources employees and other representatives, reviewing and commenting on any relevant documents, preparing any requested documentation and testifying at depositions, hearings, arbitrations, trials and any other forum at which Executive's participation and testimony is requested by ABM. In performing the tasks outlined in this Paragraph 13E, Executive shall be bound by the covenants of good faith and veracity set forth in Paragraph 9 of this Agreement and as outlined in ABM's Code of Business Conduct and Ethics. In performing responsibilities under this Paragraph 13E, Executive shall be compensated for his time at an hourly rate of $250 per hour.

F. LIMITATIONS. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

14. MODIFICATION OF EMPLOYMENT. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, upon approval of a majority of the non-management directors of the Board, the Board shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to remove Executive as Executive Vice President and President of ABM Janitorial Services or from any other position in which Executive is then serving and to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, from that of a full-time employee to that of a part-time employee. The Modification Period shall commence immediately upon ABM giving Executive written notice of such change.

A. MODIFICATION ACTIONS. Upon commencement of the Modification Period: (i) Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries, as applicable, (ii) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph 11 of this Agreement, and (iii) Company shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus pursuant to Paragraph 7B(iii), or other contingent compensation, reimbursement of business expenses and fringe benefits.

B. MODIFICATION OBLIGATIONS. During the Modification Period: (i) Executive shall be deemed a part-time employee and not a full-time employee of Company, (ii) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person(s) designated by the Chief Executive Officer, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death, or unavailability because of absence from the state in which Executive resides, shall not affect Executive's right to receive payments under subparagraph 14B(iii), (iii) Company shall continue to pay Executive's monthly salary pursuant to Paragraph 7A of this Agreement and shall pay directly to Executive a monthly amount equal to the Insurance Contribution immediately prior to the beginning of the Modification Period, (iv) Executive shall not be eligible or entitled to receive a Bonus with respect to the Modification Period or participate in any bonus or fringe benefits other than the ABM Employee Stock Purchase Plan and 401(k) plan provided that Executive continues to qualify under the terms of such plans, (v) Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, and (vi) Company shall pay directly or reimburse Executive in accordance with the provisions of Paragraph 8 of this Agreement for reasonable business expenses of Company incurred by Executive

in connection with such services requested by the person(s) designated by the Board.

C. MODIFICATION PERIOD. The Modification Period shall continue until the earlier of: (i) Total Disability or death, (ii) termination of this Agreement by ABM for Just Cause, (iii) Executive accepts employment or receives any other compensation from operating, assisting or otherwise being involved or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (iv) expiration of the then current Initial or Extended Term, as applicable, of this Agreement.

15. EXTENSION OF EMPLOYMENT.

A. RENEWAL. Absent at least 90 days written notice of termination of employment or notice of non-renewal from ABM to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year.

B. NOTICE OF NON-RENEWAL. In the event that notice of non-renewal is given 90 days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an “at will” basis following the expiration of such Initial or Extended Term. In such event, Company shall have the right to terminate Executive’s employment or to change the terms and conditions of Executive’s employment, including but not limited to Executive’s position and/or compensation .

16. TERMINATION OF EMPLOYMENT.

A. TERMINATION UPON EXPIRATION OF TERM. Subject to at least 90 days prior written notice of termination of employment, Executive’s employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. Company has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph 7 of this Agreement, for any or all of such notice period.

B. TERMINATION FOR CAUSE. Company may terminate Executive’s employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Just Cause.

C. VOLUNTARY TERMINATION BY EXECUTIVE. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving ABM 90 days prior written notice**.**

D. DISABILITY OR DEATH. Employment hereunder shall automatically terminate upon the Total Disability or death of Executive. Company shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

E. ACTIONS UPON TERMINATION. Upon termination of employment hereunder, Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries or affiliates, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph 11 of this Agreement. Company shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits.

17. GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California.

18. DISPUTE RESOLUTION.

A. ARBITRATION. Except as provided in Paragraph 18B below, any claim or dispute related to or arising from this Agreement (whether based in contract, statute or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by binding arbitration in accordance with the following procedures:

i. The arbitration shall be administered by AAA.

ii. Except as modified herein, the arbitration proceeding shall be administered pursuant to AAA's Commercial Rules.

iii. The parties will mutually agree upon two neutral arbitrators who shall be respectively designated the "Pre-hearing Arbitrator" and the "Hearing Arbitrator." The Pre-hearing Arbitrator shall preside over all issues or disputes arising prior to the hearing on the merits, including discovery issues and pre-hearing motions. The Hearing Arbitrator shall preside over the formal hearing on the merits and shall have the sole authority to issue a final and binding award in the matter.

iv. The parties may conduct the following discovery as a matter of right: (a) two depositions per side, (b) 35 non-compound interrogatories per side, which shall be answered under penalty of perjury by the responding party, (c) 35 non-compound document requests, which shall be answered under penalty of perjury by the responding party. Any additional discovery shall only take place as stipulated by the parties, as provided by the AAA's Commercial Rules, or as ordered by the Pre-hearing Arbitrator.

v. The Pre-hearing Arbitrator shall hear and rule upon such motions for summary judgment or summary adjudication as might be made by either party. Upon receipt of such a motion, the Pre-hearing Arbitrator shall consult with the parties and establish both a hearing date and a briefing schedule which allows an opposition and reply submission prior to the hearing.

vi. The cost of such arbitration shall be borne by Company.

vii. Any such arbitration must be requested in writing within one year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived.

viii. Any such arbitration shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

B. LITIGATION / COURT ACTION. Disputes involving the threatened or actual breach of obligations set forth in Paragraphs 12 and 13 of this Agreement shall not be subject to arbitration. Rather, any such disputes shall be resolved through civil litigation, which may be filed in any court of competent jurisdiction.

19. REMEDIES & DAMAGES.

A. INJUNCTIVE RELIEF. The parties agree that compliance with Paragraphs 12 and 13 of this Agreement is necessary to protect the business and goodwill of Company, and that any breach of such Paragraphs will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of Paragraphs 12 and 13 of this Agreement by Executive, ABM and Executive agree that Company shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.

B. WITHHOLDING AUTHORIZATION. To the fullest extent permitted under the laws of the state or states of employment hereunder, Executive authorizes

Company to withhold from any severance payments otherwise due to Executive and from any other funds held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of the underlying dispute as provided in Paragraph 18 above.

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

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

22. **SURVIVAL.** All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Paragraphs 13 and 18 of this Agreement, shall remain in full force and effect after the termination of this Agreement.

23. **REPRESENTATIONS.** Executive represents and agrees that he has carefully read and fully understands all of the provisions of this Agreement, that he is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he chooses to do so.

24. **NOTICES.**

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

Executive: **James P. McClure**
8 Lacewing Place
The Woodlands, TX 77380

ABM: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

Copy: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

B. RECEIPT. Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.

23. ENTIRE AGREEMENT. Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and ABM.

A. NO EXTERNAL EVIDENCE. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

B. SUPERSEDES OTHER AGREEMENTS. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date of this Agreement as well as all conflicting provisions of Company's Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

C. AMENDMENTS. This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and the Chief Executive Officer.

IN WITNESS WHEREOF, Executive and the Chief Executive Officer have executed this Agreement the date set forth above.

Executive: James P. McClure

Signature: /s/ James P. McClure
Date: July 12, 2005

ABM: ABM Industries Incorporated

Signature: /s/ Henrik C. Slipsager
Henrik C. Slipsager
Title: Chief Executive Officer
Date: July 12, 2005

EXHIBIT A

2005 EXECUTIVE PERFORMANCE PEFORMANCE CRITERIA
ABM CORPORATE EXECUTIVE OFFICERS

I. FINANCIAL PERFORMANCE: Represents 50% of Target Bonus

(Actual earnings as published in Company's Form 10-K as filed with the Securities and Exchange Commission must exceed 80% of the 2005 budget, as approved by the ABM Board of Directors and adjusted for acquisitions, for Executive to receive a Financial Performance Bonus.)

Develops, obtains approval for, and effectively communicates realistic and GAAP compliant financial budgets and forecasts consistent with the approved Company and business unit strategy. Develops and ensures compliance with internal financial controls. Ensures that key financial goals are aggressively pursued. Contributes directly to the achievement of financial goals for Company and one's area(s) of responsibility. Ensures, to the extent possible, that performance of Company and one's area(s) of responsibility meets or exceeds budget in all key financial categories, including revenue, expense, and capital management. Effectively manages costs and, where appropriate, vendors and receivables.

Indicators: Timely development and approval of realistic financial goals and plans; understanding and acceptance of financial goals throughout the organization and one's direct span of control; existence of and compliance with effective internal financial controls. Company and business unit performance against budget.

II. OTHER CATEGORIES: Represents 50% of Target Bonus

STRATEGIC LEADERSHIP

Contributes materially to the development, approval, implementation and ongoing evolution of a sound business strategy for Company and/or one's area(s) of responsibility. Researches concepts and presents new ideas designed to optimize growth, profitability and shareholder value. Effectively communicates the approved strategy both internally and externally, as appropriate, and provides guidance to ensure that the approved strategy is carried out.

Indicators: Agreement among management and approval by the Board of Directors of a defined business strategy; effective translation and communication of the approved strategy to one's area of responsibility and other internal and external constituents, as appropriate; proactive revision of strategy to reflect changing situations; depth of knowledge of one's market, competitors, and trends.

EMPLOYEE LEADERSHIP

1. Employee Relations

   Maintains sound relationships with superiors, peers, subordinates and, as appropriate, the Board of Directors. Commands respect and trust while being considered fair and open in dealings with others.

   Indicators: Employee complaints; perception among supervisors, peers, subordinates and the Board of Directors.

2. Staff Development

   Actively contributes to the development of staff under one's span of control. Provides guidance to subordinates on key issues and makes time to help others. Establishes and communicates goals and expectations. Provides open and honest feedback. Identifies and develops potential successors to key roles.

   Indicators: Proactive individual goal-setting and ongoing review process; demonstrated development/improvement of subordinates; effective succession planning.

3. Recruitment, Retention and Motivation

   Generates enthusiasm among superiors, subordinates and peers. Directly contributes to creating a performance oriented culture. Identifies and distinguishes top performers. Retains key employees and assists in identifying and recruiting top external talent as needed.

   Indicators: Employee retention; positive morale; success in recruiting new talent.

4. Teamwork

   Practices open, effective and inclusive communication within one's own span of control and across Company. Actively seeks ways to build links across Company with the objective of capitalizing on and sharing "best practices."

   Indicators: Development and implementation of procedures and processes that promote the application of "best practices" across Company and within one's span of control. Perception as a "team player."

COMPLIANCE AND ADMINISTRATION

Ensures compliance with all external regulations and internal guidelines and policies associated with Safety, Employee/Labor Relations and other areas pertaining to Company's various businesses. Ensures management policies and reports effectively address key issues. Provides for open channels of communication to ensure that appropriate individuals, both internally and externally, are notified in a timely manner in the event of compliance or other related issues. Achieves certification of Internal Controls for Sarbanes-Oxley Section 404.

Indicators: Volume and severity of labor/employee relations or other compliance issues; effective handling of such issues as they arise; timely and proper reporting of such issues.

Exhibit B

Name of Executive: James P. McClure

2005 EXECUTIVE PERFORMANCE BONUS MODIFIER RECOMMENDATION
CALCULATION WORKSHEET
CORPORATE EXECUTIVE OFFICERS

Circle one rating in each category	*Unsatisfactory*		*Needs Improvement*		*Meets Requirements*		*Exceeds Requirements*		*Superior Performance*	*Outstanding*
I. FINANCIAL PERFORMANCE **Represents 50% of Target Bonus** (Category rating requires actual earnings minimum of 80% of budget*)	5	7	9	12	15	18	21	24	27	30
CATEGORY I RATING SCORE:										
II. OTHER CATEGORIES										
STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9	10
EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9	10
COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9	10
CATEGORY II RATING SCORE:										

*See 2005 Executive Performance Bonus Indicators

Reviewer's Signature

 EXHIBIT 10.5

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is effective July 12, 2005, by and between **George B. Sundby** ("Executive") and **ABM Industries Incorporated** ("ABM") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, the subsidiaries of ABM are engaged in the building maintenance and related service businesses, and

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

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

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

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

NOW THEREFORE, Executive and ABM agree as follows:

1. **EMPLOYMENT.** ABM hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. **TITLE.** Executive's title shall be Executive Vice President & Chief Financial Officer of ABM, subject to modification as determined by ABM's Board of Directors.

3. **DEFINITIONS.** The capitalized terms used in this agreement shall have the following definitions:

A. "AAA" means the American Arbitration Association.

B. "ABM" means ABM Industries Incorporated and its successors and assigns.

C. "Base Salary" means the salary paid under Paragraph 7A for the applicable Fiscal Year.

D. "Board" means the Board of Directors of ABM.

E. “Bonus” means a performance-based bonus payable under Paragraph 7B of this Agreement.

F. “Chief Executive Officer” means the Chief Executive Officer of ABM.

G. “Company” means ABM, its subsidiaries, successors, and assigns.

H. “Compensation Committee” means the Compensation Committee of the Board.

I. “EPS” means earnings per share for the applicable Fiscal Year as reported by ABM in its Annual Report on Form 10-K.

J. “Executive” means George B. Sundby.

K. “Extended Term” means the period for which this agreement is extended under Paragraph 15 of this Agreement.

L. “Fiscal Year” means the period beginning on November 1 of a calendar year and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as ABM’s fiscal year.

M. “Initial Term” is the period beginning on July 12, 2005 and ending October 31, 2007, unless sooner terminated under Paragraph 16 of this Agreement.

N. “Insurance Contribution” means ABM’s contribution to provide group health and life insurance for Executive and excludes any payment by Executive for such coverage.

O. “Just Cause” means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive’s performance of his employment duties, (vi) material and willful breach of this Agreement, (vii) other misconduct, unethical or unlawful activity, (viii) a conviction of or plea of “guilty” or “no contest” to a felony under the laws of the United States or any state thereof, or (ix) a conviction of or plea of “guilty” or “no contest” to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

P. “Modification Period” means the remainder of the Initial or the then current Extended Term, as applicable, of this Agreement, following the change in Executive’s employment status from that of a full-time employee to that of a part-time employee under Paragraph 14 of this Agreement.

Q. "Performance Assessment" means the Chief Executive Officer's annual assessment of Executive's performance against the Performance Criteria.

R. "Performance Criteria" means the performance criteria for Executive established annually by the Chief Executive Officer in accordance with Paragraph 7B of this Agreement.

S. "Proprietary Information" means Company's proprietary trade secrets and other confidential information not in the public domain, including but not limited to specific customer data such as: (i) the identity of Company's customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with services and products purchased from Company, (iii) any particular needs or preferences regarding its service or supply requirements, (iv) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (v) its billing procedures, (vi) its credit limits and payment practices, and (vii) its organization structure.

T. "Section 162(m)" means Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor statute.

U. "Significant Transaction" means Company's acquisition or disposition of a business or assets which ABM is required to report under Item 2.01 of Form 8-K under the rules and regulations issued by the Securities and Exchange Commission.

V. "State of Employment" means California.

W. "Target Bonus" means 40% of Executive's Base Salary.

X. "Total Disability" means Executive's inability to perform his duties under this Agreement and shall be deemed to occur on the 91st consecutive or non-consecutive calendar day within any 12 month period that Executive is unable to perform his duties under this Agreement because of any physical or mental illness or disability.

Y. "WTC Related Gain" means the total amount of all items of income included in ABM's audited consolidated financial statements for any Fiscal Year that result from ABM's receipt of insurance proceeds or other compensation or damages due to ABM's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.

4. DUTIES & RESPONSIBILITIES. Executive shall assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Chief Executive Officer or such other officer designated by the Chief Executive Officer, to whom Executive shall report and be accountable.

5. **TERM OF AGREEMENT.** This agreement shall end on October 31, 2007, unless sooner terminated pursuant to Paragraph 16 or later extended to an Extended Term under Paragraph 15 of this Agreement.

6. **PRINCIPAL OFFICE.** During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at an ABM office located in the State of Employment or such other location as shall be mutually agreed upon by ABM and Executive.

7. **COMPENSATION.** ABM agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

A. SALARY. A salary paid in equal installments no less frequently than semi-monthly at the annual rate of $350,000. Executive shall be eligible, at the sole discretion of the Compensation Committee, to receive a merit increase based on Executive's job performance or for any other reason deemed appropriate by the Compensation Committee.

B. BONUS. Subject to subparagraphs (iii), (iv) and (v) below, Executive shall be entitled to a Bonus for each Fiscal Year, as follows:

i. Executive's Bonus may range from 0% to 150% of the Target Bonus and shall be based on the Performance Assessment of Executive for the applicable Fiscal Year evaluated on the basis of the Performance Criteria. Performance Criteria may include both ABM and individual objectives, may be both qualitative and quantitative in nature and shall be established by the Chief Executive Officer, reviewed by the Compensation Committee, and communicated to Executive within 90 days after the beginning of the Fiscal Year for which they apply. The 2005 Performance Criteria are attached as Exhibit A to this Agreement. The Performance Assessment for each Fiscal Year shall be the responsibility of the Chief Executive Officer, who shall submit the Performance Assessment to the Compensation Committee on the Calculation Worksheet attached as Exhibit B to this Agreement. The determination of the Bonus amount for each Fiscal Year shall be determined by the Compensation Committee based upon the Performance Assessment and the recommendation of the Chief Executive Officer.

ii. The Compensation Committee reserves the right at any time to adjust the Performance Criteria in the event of a Significant Transaction and/or for any unanticipated and material events that are beyond the control of ABM, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission,

rules of the New York Stock Exchange and/or for any other reason which the Compensation Committee determines, in good faith, to be appropriate.

iii. ABM shall pay Executive the Bonus for each Fiscal Year following completion of the audit of ABM's financial statements for such Fiscal Year and within 10 days after determination of the Bonus by the Compensation Committee. In the event of modification of employment under Paragraph 14 or termination of employment hereunder other than (a) a termination under Paragraph 16B, (b) a termination under Paragraph 16C for reasons other than Executive's health, or (c) Executive's retiring at age 65 or more with no less than 10 years of employment at Company, ABM shall pay Executive, within 75 days thereafter, a prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of modification or termination.

iv. Absent bad faith or material error, any conclusions of the Chief Executive Officer with respect to the Performance Assessment or the Compensation Committee with respect to the Performance Criteria or the Bonus shall be final and binding upon Executive and ABM.

v. No Bonus for any Fiscal Year of ABM (other than the payment of a prorated portion of the Target Bonus under Paragraph 7B(iii) following a modification or termination of employment) shall be payable unless ABM's EPS for the Fiscal Year then ending is equal to or greater than 80% of ABM's EPS for the previous Fiscal Year of ABM, in each case excluding any gains and losses from sales of discontinued operations and any WTC Related Gain.

vi. Notwithstanding any other provision of this Agreement, the Compensation Committee may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus or the bonus range set forth in subparagraph (i) above. The Compensation Committee's decision in this regard shall be deemed final and binding on Executive. In addition, the Compensation Committee may grant a discretionary incentive bonus to Executive at any time in its sole discretion.

C. FRINGE BENEFITS. Executive shall receive the then current fringe benefits generally provided by ABM to its executives. Such benefits may include but not be limited to the use of an ABM-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable ABM policy at all times. Executive expressly agrees that should he terminate employment with ABM for the purpose of being re-employed by an ABM subsidiary or affiliate, he shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate. ABM reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be

reduced or eliminated as to Executive unless generally reduced or eliminated as to senior executives at ABM.

D. LIMIT. To the extent that any compensation to be paid to Executive under this Agreement would cause compensation payable to Executive to be non-deductible by ABM as a result of the $1 million compensation limit provisions of Section 162(m), Executive agrees that any such amount in excess of $1 million shall not be paid out to Executive but shall be deferred by Executive under the ABM Deferred Compensation Plan. The distribution of such deferred amounts will be made only after Executive is no longer considered a "covered employee" as defined in Section 162(m). Amounts deferred by Executive will be credited with interest or gains and losses in accordance with the ABM Deferred Compensation Plan.

8. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES. ABM shall pay directly or reimburse Executive for reasonable business expenses of ABM incurred by Executive in connection with ABM business in accordance with the ABM Travel & Entertainment Policy.

9. BUSINESS CONDUCT. Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

A. GOOD FAITH. Executive shall not act in any way contrary to the best interest of Company.

B. BEST EFFORTS. During all full-time employment hereunder, Executive shall devote full working time and attention to ABM.

C. VERACITY. Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.

D. POSSIBLE CHANGE OF CONTROL. Executive agrees that if he is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of ABM, Executive will immediately advise the Chief Executive Officer, ABM's General Counsel and the Chair of the Governance Committee of the Board.

E. CODE OF BUSINESS CONDUCT. Executive agrees to fully comply with and annually execute a certification of compliance with ABM's Code of Business Conduct.

F. OTHER LAWS. Executive agrees to fully comply with the other laws and regulations that govern his performance and receipt of compensation under this

Agreement, including but not limited to the provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

10. **NO CONFLICT.** Executive represents to ABM that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with ABM that have not been fully disclosed to ABM prior to the signing of this Agreement.

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

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

A. PROPRIETARY INFORMATION. Executive agrees to utilize and further Company's goodwill among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company Proprietary Information.

B. DUTY OF LOYALTY. Executive agrees that the Proprietary Information and Company's goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. ABM makes the Proprietary Information and Company's goodwill available to Executive in reliance on Executive's agreement to hold the Proprietary Information and Company's goodwill in trust and confidence. Executive hereby acknowledges that to use this Proprietary Information and Company's goodwill other than for the benefit of Company would be a breach of such trust and confidence and a violation of Executive's duty of loyalty to Company.

13. **RESTRICTIVE COVENANTS.** In recognition of Paragraph 12 above, Executive hereby agrees that during the term of this Agreement and thereafter as specifically agreed herein:

A. NON-SOLICITATION OF EMPLOYEES. While employed by ABM and for a period of one year following Executive's termination of employment, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company except in the proper performance of this Agreement.

B. NON-DISCLOSURE. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.

C. NON-SOLICITATION OF CUSTOMERS. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and ABM hereby agree to be one year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within one year prior to termination of this Agreement. In addition, Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information or by any other unfair or unlawful business practice.

D. NON-DISPARAGEMENT. During Executive's employment with ABM and for a period of two years following termination of employment (whether voluntary or involuntary), Executive agrees not to make any comment or take any action which disparages, defames, or places in a negative light Company, its past and present officers, directors, and employees. ABM agrees that during this same period, its officers and directors shall refrain from making any comment or taking any action to disparage, defame, or place Executive in a negative public light.

E. COOPERATION. Upon termination of employment hereunder, Executive shall cooperate with Company in its defense or prosecution of any current or future matter in any forum, including but not limited to lawsuits, federal, state or local agency claims, audits and investigations, and internal and external investigations concerning any matter in which he was involved during his employment with ABM or about which he has or should have knowledge and information. Executive's cooperation shall include, but is not limited to, meeting with ABM's in-house and/or outside attorneys, communicating his knowledge of relevant facts to ABM's attorneys, experts, consultants, investigators, executives, management and human resources employees and other representatives, reviewing and commenting on any relevant documents, preparing any requested documentation and testifying at depositions, hearings, arbitrations, trials and any other forum at which Executive's participation and testimony is requested by ABM. In performing the tasks outlined in this Paragraph 13E, Executive shall be bound by the covenants of good faith and veracity set forth in Paragraph 9 of this

Agreement and as outlined in ABM's Code of Business Conduct and Ethics. In performing responsibilities under this Paragraph 13E, Executive shall be compensated for his time at an hourly rate of $250 per hour.

F. LIMITATIONS. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

14. MODIFICATION OF EMPLOYMENT. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, upon approval of a majority of the non-management directors of the Board, the Board shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to remove Executive as Chief Financial Officer or from any other position in which Executive is then serving and to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, from that of a full-time employee to that of a part-time employee. The Modification Period shall commence immediately upon ABM giving Executive written notice of such change.

A. MODIFICATION ACTIONS. Upon commencement of the Modification Period: (i) Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries, as applicable, (ii) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph 11 of this Agreement, and (iii) ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus pursuant to Paragraph 7B(iii), or other contingent compensation, reimbursement of business expenses and fringe benefits.

B. MODIFICATION OBLIGATIONS. During the Modification Period: (i) Executive shall be deemed a part-time employee and not a full-time employee of ABM, (ii) Executive shall provide ABM with such occasional executive or managerial services as reasonably requested by the person(s) designated by the Chief Executive Officer, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death, or unavailability because of absence from the State of Employment, shall not affect Executive's right to receive payments under subparagraph 14B(iii), (iii) ABM shall continue to pay Executive's monthly salary pursuant to Paragraph 7A of this Agreement and shall pay directly to Executive a monthly amount equal to the Insurance Contribution immediately prior to the beginning of the Modification Period, (iv) Executive shall not be eligible or entitled to receive a Bonus with respect to the Modification Period or participate in any bonus or fringe benefits other than the ABM Employee Stock Purchase Plan and 401(k) plan provided that Executive continues to qualify under the terms of such plans, (v) Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, and (vi) ABM shall pay directly or reimburse Executive in

accordance with the provisions of Paragraph 8 of this Agreement for reasonable business expenses of ABM incurred by Executive in connection with such services requested by the person(s) designated by the Board.

C. MODIFICATION PERIOD. The Modification Period shall continue until the earlier of: (i) Total Disability or death, (ii) termination of this Agreement by ABM for Just Cause, (iii) Executive accepts employment or receives any other compensation from operating, assisting or otherwise being involved or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (iv) expiration of the then current Initial or Extended Term, as applicable, of this Agreement.

15. EXTENSION OF EMPLOYMENT.

A. RENEWAL. Absent at least 90 days written notice of termination of employment or notice of non-renewal from ABM to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year.

B. NOTICE OF NON-RENEWAL. In the event that notice of non-renewal is given 90 days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an “at will” basis following the expiration of such Initial or Extended Term. In such event, ABM shall have the right to terminate Executive’s employment or to change the terms and conditions of Executive’s employment, including but not limited to Executive’s position and/or compensation .

16. TERMINATION OF EMPLOYMENT.

A. TERMINATION UPON EXPIRATION OF TERM. Subject to at least 90 days prior written notice of termination of employment, Executive’s employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. ABM has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph 7 of this Agreement, for any or all of such notice period.

B. TERMINATION FOR CAUSE. ABM may terminate Executive’s employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Just Cause.

C. VOLUNTARY TERMINATION BY EXECUTIVE. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or

without cause, Executive may terminate employment hereunder by giving ABM 90 days prior written notice**.**

D. DISABILITY OR DEATH. Employment hereunder shall automatically terminate upon the Total Disability or death of Executive. ABM shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

E. ACTIONS UPON TERMINATION. Upon termination of employment hereunder, Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries or affiliates, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph 11 of this Agreement. ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits.

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

18. DISPUTE RESOLUTION.

A. ARBITRATION. Except as provided in Paragraph 18B below, any claim or dispute related to or arising from this Agreement (whether based in contract, statute or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by binding arbitration in accordance with the following procedures:

i. The arbitration shall be administered by AAA.

ii. Except as modified herein, the arbitration proceeding shall be administered pursuant to AAA's Commercial Rules.

iii. The parties will mutually agree upon two neutral arbitrators who shall be respectively designated the "Pre-hearing Arbitrator" and the "Hearing Arbitrator." The Pre-hearing Arbitrator shall preside over all issues or disputes arising prior to the hearing on the merits, including discovery issues and pre-hearing motions. The Hearing Arbitrator shall preside over the formal hearing on the merits and shall have the sole authority to issue a final and binding award in the matter.

iv. The parties may conduct the following discovery as a matter of right: (a) two depositions per side, (b) 35 non-compound interrogatories per side, which shall be answered under penalty of perjury by the responding party, (c) 35 non-compound document requests, which shall be answered under penalty of perjury by the responding party. Any additional discovery shall only take place as stipulated by the parties, as provided by the AAA's Commercial Rules, or as ordered by the Pre-hearing Arbitrator.

v. The Pre-hearing Arbitrator shall hear and rule upon such motions for summary judgment or summary adjudication as might be made by either party. Upon receipt of such a motion, the Pre-hearing Arbitrator shall consult with the parties and establish both a hearing date and a briefing schedule which allows an opposition and reply submission prior to the hearing.

vi. The cost of such arbitration shall be borne by ABM.

vii. Any such arbitration must be requested in writing within one year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived.

viii. Any such arbitration shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

B. LITIGATION / COURT ACTION. Disputes involving the threatened or actual breach of obligations set forth in Paragraphs 12 and 13 of this Agreement shall not be subject to arbitration. Rather, any such disputes shall be resolved through civil litigation, which may be filed in any court of competent jurisdiction.

19. REMEDIES & DAMAGES.

A. INJUNCTIVE RELIEF. The parties agree that compliance with Paragraphs 12 and 13 of this Agreement is necessary to protect the business and goodwill of Company, and that any breach of such Paragraphs will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of Paragraphs 12 and 13 of this Agreement by Executive, ABM and Executive agree that ABM shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.

B. WITHHOLDING AUTHORIZATION. To the fullest extent permitted under the laws of the State of Employment hereunder, Executive authorizes ABM to withhold from any severance payments otherwise due to Executive and from any other funds held for Executive's benefit by ABM, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of the underlying dispute as provided in Paragraph 18 above.

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

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

22. **SURVIVAL.** All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Paragraphs 13 and 18 of this Agreement, shall remain in full force and effect after the termination of this Agreement.

23. **REPRESENTATIONS.** Executive represents and agrees that he has carefully read and fully understands all of the provisions of this Agreement, that he is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he chooses to do so.

24. **NOTICES.**

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

Executive: **George B. Sundby**
90 Cedro Avenue
San Francisco, CA 94127

ABM: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

Copy: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

B. RECEIPT. Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.

23. ENTIRE AGREEMENT. Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and ABM, and may only be changed by a written amendment signed by both Executive and ABM.

A. NO EXTERNAL EVIDENCE. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

B. SUPERSEDES OTHER AGREEMENTS. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and ABM prior to the date of this Agreement as well as all conflicting provisions of Company's Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

C. AMENDMENTS. This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and the Chief Executive Officer.

IN WITNESS WHEREOF, Executive and the Chief Executive Officer have executed this Agreement as of the date set forth above.

Executive: George B. Sundby

Signature: /s/George B. Sundby
Date: July 12, 2005

ABM: ABM Industries Incorporated

Signature: /s/ Henrik C. Slipsager
Henrik C. Slipsager
Title: Chief Executive Officer
Date: July 12, 2005

EXHIBIT A

2005 EXECUTIVE PERFORMANCE PEFORMANCE CRITERIA
ABM CORPORATE EXECUTIVE OFFICERS

I. FINANCIAL PERFORMANCE: Represents 50% of Target Bonus

(Actual earnings as published in Company's Form 10-K as filed with the Securities and Exchange Commission must exceed 80% of the 2005 budget, as approved by the ABM Board of Directors and adjusted for acquisitions, for Executive to receive a Financial Performance Bonus.)

Develops, obtains approval for, and effectively communicates realistic and GAAP compliant financial budgets and forecasts consistent with the approved Company and business unit strategy. Develops and ensures compliance with internal financial controls. Ensures that key financial goals are aggressively pursued. Contributes directly to the achievement of financial goals for Company and one's area(s) of responsibility. Ensures, to the extent possible, that performance of Company and one's area(s) of responsibility meets or exceeds budget in all key financial categories, including revenue, expense, and capital management. Effectively manages costs and, where appropriate, vendors and receivables.

Indicators: Timely development and approval of realistic financial goals and plans; understanding and acceptance of financial goals throughout the organization and one's direct span of control; existence of and compliance with effective internal financial controls. Company and business unit performance against budget.

II. OTHER CATEGORIES: Represents 50% of Target Bonus

STRATEGIC LEADERSHIP

Contributes materially to the development, approval, implementation and ongoing evolution of a sound business strategy for Company and/or one's area(s) of responsibility. Researches concepts and presents new ideas designed to optimize growth, profitability and shareholder value. Effectively communicates the approved strategy both internally and externally, as appropriate, and provides guidance to ensure that the approved strategy is carried out.

Indicators: Agreement among management and approval by the Board of Directors of a defined business strategy; effective translation and communication of the approved strategy to one's area of responsibility and other internal and external constituents, as appropriate; proactive revision of strategy to reflect changing situations; depth of knowledge of one's market, competitors, and trends.

EMPLOYEE LEADERSHIP

1. Employee Relations

   Maintains sound relationships with superiors, peers, subordinates and, as appropriate, the Board of Directors. Commands respect and trust while being considered fair and open in dealings with others.

   Indicators: Employee complaints; perception among supervisors, peers, subordinates and the Board of Directors.

2. Staff Development

   Actively contributes to the development of staff under one's span of control. Provides guidance to subordinates on key issues and makes time to help others. Establishes and communicates goals and expectations. Provides open and honest feedback. Identifies and develops potential successors to key roles.

   Indicators: Proactive individual goal-setting and ongoing review process; demonstrated development/improvement of subordinates; effective succession planning.

3. Recruitment, Retention and Motivation

   Generates enthusiasm among superiors, subordinates and peers. Directly contributes to creating a performance oriented culture. Identifies and distinguishes top performers. Retains key employees and assists in identifying and recruiting top external talent as needed.

   Indicators: Employee retention; positive morale; success in recruiting new talent.

4. Teamwork

   Practices open, effective and inclusive communication within one's own span of control and across Company. Actively seeks ways to build links across Company with the objective of capitalizing on and sharing "best practices."

   Indicators: Development and implementation of procedures and processes that promote the application of "best practices" across Company and within one's span of control. Perception as a "team player."

COMPLIANCE AND ADMINISTRATION

Ensures compliance with all external regulations and internal guidelines and policies associated with Safety, Employee/Labor Relations and other areas pertaining to Company's various businesses. Ensures management policies and reports effectively address key issues. Provides for open channels of communication to ensure that appropriate individuals, both internally and externally, are notified in a timely manner in the event of compliance or other related issues. Achieves certification of Internal Controls for Sarbanes-Oxley Section 404.

Indicators: Volume and severity of labor/employee relations or other compliance issues; effective handling of such issues as they arise; timely and proper reporting of such issues.

Exhibit B

Name of Executive: George B. Sundby

2005 EXECUTIVE PERFORMANCE BONUS MODIFIER RECOMMENDATION
CALCULATION WORKSHEET
CORPORATE EXECUTIVE OFFICERS

Circle one rating in each category	*Unsatisfactory*		*Needs Improvement*		*Meets Requirements*		*Exceeds Requirements*		*Superior Performance*	*Outstanding*
I. FINANCIAL PERFORMANCE Represents 50% of Target Bonus (Category rating requires actual earnings minimum of 80% of budget*)	5	7	9	12	15	18	21	24	27	30
CATEGORY I RATING SCORE:										
II. OTHER CATEGORIES										
STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9	10
EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9	10
COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9	10
CATEGORY II RATING SCORE:										

*See 2005 Executive Performance Bonus Indicators

Reviewer's Signature

 EXHIBIT 10.6

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is effective July 12, 2005, by and between Steven M. Zaccagnini ("Executive") and **ABM Industries Incorporated** ("ABM") for itself and on behalf of its subsidiary corporations as applicable herein.

WHEREAS, the subsidiaries of ABM are engaged in the building maintenance and related service businesses, and

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

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

WHEREAS, ABM and its subsidiaries have disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of his duties and responsibilities as Senior Vice President of ABM and President of ABM Facility Services and under this Agreement; and

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

NOW THEREFORE, Executive and ABM agree as follows:

1. **EMPLOYMENT.** ABM hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

2. **TITLE.** Executive's title shall be Senior Vice President of ABM and President of ABM Facility Services, subject to modification as determined by ABM's Board of Directors.

3. **DEFINITIONS.** The capitalized terms used in this agreement shall have the following definitions:

A. "AAA" means the American Arbitration Association.

B. "ABM" means ABM Industries Incorporated and its successors and assigns.

C. "Base Salary" means the salary paid under Paragraph 7A for the applicable Fiscal Year.

D. "Board" means the Board of Directors of ABM.

E. “Bonus” means a performance-based bonus payable under Paragraph 7B of this Agreement.

F. “Chief Executive Officer” means the Chief Executive Officer of ABM.

G. “Company” means ABM, its subsidiaries, successors, and assigns.

H. “Compensation Committee” means the Compensation Committee of the Board.

I. “EPS” means earnings per share for the applicable Fiscal Year as reported by ABM in its Annual Report on Form 10-K.

J. “Executive” means Steven M. Zaccagnini.

K. “Extended Term” means the period for which this agreement is extended under Paragraph 15 of this Agreement.

L. “Fiscal Year” means the period beginning on November 1 of a calendar year and ending on October 31 of the following calendar year or such other period as shall be designated by the Board as ABM’s fiscal year.

M. “Initial Term” is the period beginning on July 12, 2005 and ending October 31, 2007, unless sooner terminated under Paragraph 16 of this Agreement.

N. “Insurance Contribution” means ABM’s contribution to provide group health and life insurance for Executive and excludes any payment by Executive for such coverage.

O. “Just Cause” means (i) theft or dishonesty, (ii) more than one instance of neglect or failure to perform employment duties, (iii) more than one instance of inability or unwillingness to perform employment duties, (iv) insubordination, (v) abuse of alcohol or other drugs or substances affecting Executive’s performance of his employment duties, (vi) material and willful breach of this Agreement, (vii) other misconduct, unethical or unlawful activity, (viii) a conviction of or plea of “guilty” or “no contest” to a felony under the laws of the United States or any state thereof, or (ix) a conviction of or plea of “guilty” or “no contest” to a misdemeanor involving a crime of moral turpitude under the laws of the United States or any state thereof.

P. “Modification Period” means the remainder of the Initial or the then current Extended Term, as applicable, of this Agreement, following the change in Executive’s employment status from that of a full-time employee to that of a part-time employee under Paragraph 14 of this Agreement.

Q. "Performance Assessment" means the Chief Executive Officer's annual assessment of Executive's performance against the Performance Criteria.

R. "Performance Criteria" means the performance criteria for Executive established annually by the Chief Executive Officer in accordance with Paragraph 7B of this Agreement.

S. "Proprietary Information" means Company's proprietary trade secrets and other confidential information not in the public domain, including but not limited to specific customer data such as: (i) the identity of Company's customers and sales prospects, (ii) the nature, extent, frequency, methodology, cost, price and profit associated with services and products purchased from Company, (iii) any particular needs or preferences regarding its service or supply requirements, (iv) the names, office hours, telephone numbers and street addresses of its purchasing agents or other buyers, (v) its billing procedures, (vi) its credit limits and payment practices, and (vii) its organization structure.

T. "Section 162(m)" means Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor statute.

U. "Significant Transaction" means Company's acquisition or disposition of a business or assets which ABM is required to report under Item 2.01 of Form 8-K under the rules and regulations issued by the Securities and Exchange Commission.

V. "State of Employment" means California.

W. "Target Bonus" means 33.3% of Executive's Base Salary.

X. "Total Disability" means Executive's inability to perform his duties under this Agreement and shall be deemed to occur on the 91st consecutive or non-consecutive calendar day within any 12 month period that Executive is unable to perform his duties under this Agreement because of any physical or mental illness or disability.

Y. "WTC Related Gain" means the total amount of all items of income included in ABM's audited consolidated financial statements for any Fiscal Year that result from ABM's receipt of insurance proceeds or other compensation or damages due to ABM's loss of property, business or profits as a result of the destruction of the World Trade Center on September 11, 2001.

4. DUTIES & RESPONSIBILITIES. Executive shall assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the Chief Executive Officer or such other officer designated by the Chief Executive Officer, to whom Executive shall report and be accountable.

5. **TERM OF AGREEMENT.** This agreement shall end on October 31, 2007, unless sooner terminated pursuant to Paragraph 16 or later extended to an Extended Term under Paragraph 15 of this Agreement.

6. **PRINCIPAL OFFICE.** During the Initial Term and any Extended Term, as applicable, of this Agreement, Executive shall be based at an ABM office located in the State of Employment or such other location as shall be mutually agreed upon by ABM and Executive.

7. **COMPENSATION.** ABM agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

A. SALARY. A salary paid in equal installments no less frequently than semi-monthly at the annual rate of $319,815. Executive shall be eligible, at the sole discretion of the Compensation Committee, to receive a merit increase based on Executive's job performance or for any other reason deemed appropriate by the Compensation Committee.

B. BONUS. Subject to subparagraphs (iii), (iv) and (v) below, Executive shall be entitled to a Bonus for each Fiscal Year, as follows:

i. Executive's Bonus may range from 0% to 150% of the Target Bonus and shall be based on the Performance Assessment of Executive for the applicable Fiscal Year evaluated on the basis of the Performance Criteria. Performance Criteria may include both ABM and individual objectives, may be both qualitative and quantitative in nature and shall be established by the Chief Executive Officer, reviewed by the Compensation Committee, and communicated to Executive within 90 days after the beginning of the Fiscal Year for which they apply. The 2005 Performance Criteria are attached as Exhibit A to this Agreement. The Performance Assessment for each Fiscal Year shall be the responsibility of the Chief Executive Officer, who shall submit the Performance Assessment to the Compensation Committee on the Calculation Worksheet attached as Exhibit B to this Agreement. The determination of the Bonus amount for each Fiscal Year shall be determined by the Compensation Committee based upon the Performance Assessment and the recommendation of the Chief Executive Officer.

ii. The Compensation Committee reserves the right at any time to adjust the Performance Criteria in the event of a Significant Transaction and/or for any unanticipated and material events that are beyond the control of ABM, including but not limited to acts of god, nature, war or terrorism, or changes in the rules for financial reporting set forth by the Financial Accounting Standards Board, the Securities and Exchange Commission,

rules of the New York Stock Exchange and/or for any other reason which the Compensation Committee determines, in good faith, to be appropriate.

iii. ABM shall pay Executive the Bonus for each Fiscal Year following completion of the audit of ABM's financial statements for such Fiscal Year and within 10 days after determination of the Bonus by the Compensation Committee. In the event of modification of employment under Paragraph 14 or termination of employment hereunder other than (a) a termination under Paragraph 16B, (b) a termination under Paragraph 16C for reasons other than Executive's health, or (c) Executive's retiring at age 65 or more with no less than 10 years of employment at Company, ABM shall pay Executive, within 75 days thereafter, a prorated portion of the Target Bonus based on the fraction of the Fiscal Year that has been completed prior to the date of modification or termination.

iv. Absent bad faith or material error, any conclusions of the Chief Executive Officer with respect to the Performance Assessment or the Compensation Committee with respect to the Performance Criteria or the Bonus shall be final and binding upon Executive and ABM.

v. No Bonus for any Fiscal Year of ABM (other than the payment of a prorated portion of the Target Bonus under Paragraph 7B(iii) following a modification or termination of employment) shall be payable unless ABM's EPS for the Fiscal Year then ending is equal to or greater than 80% of ABM's EPS for the previous Fiscal Year of ABM, in each case excluding any gains and losses from sales of discontinued operations and any WTC Related Gain.

vi. Notwithstanding any other provision of this Agreement, the Compensation Committee may, prior to the beginning of any Fiscal Year, approve and notify the Executive of a modification to the Target Bonus or the bonus range set forth in subparagraph (i) above. The Compensation Committee's decision in this regard shall be deemed final and binding on Executive. In addition, the Compensation Committee may grant a discretionary incentive bonus to Executive at any time in its sole discretion.

C. FRINGE BENEFITS. Executive shall receive the then current fringe benefits generally provided by ABM to its executives. Such benefits may include but not be limited to the use of an ABM-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave and vacation. Each of these fringe benefits is subject to the applicable ABM policy at all times. Executive expressly agrees that should he terminate employment with ABM for the purpose of being re-employed by an ABM subsidiary or affiliate, he shall "carry-over" any previously accrued but unused vacation balance to the books of the affiliate. ABM reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be

reduced or eliminated as to Executive unless generally reduced or eliminated as to senior executives at ABM.

D. LIMIT. To the extent that any compensation to be paid to Executive under this Agreement would cause compensation payable to Executive to be non-deductible by ABM as a result of the $1 million compensation limit provisions of Section 162(m), Executive agrees that any such amount in excess of $1 million shall not be paid out to Executive but shall be deferred by Executive under the ABM Deferred Compensation Plan. The distribution of such deferred amounts will be made only after Executive is no longer considered a "covered employee" as defined in Section 162(m). Amounts deferred by Executive will be credited with interest or gains and losses in accordance with the ABM Deferred Compensation Plan.

8. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES. ABM shall pay directly or reimburse Executive for reasonable business expenses of ABM incurred by Executive in connection with ABM business in accordance with the ABM Travel & Entertainment Policy.

9. BUSINESS CONDUCT. Executive shall comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, codes of conduct, procedures and instructions of Company, including but not limited to the following:

A. GOOD FAITH. Executive shall not act in any way contrary to the best interest of Company.

B. BEST EFFORTS. During all full-time employment hereunder, Executive shall devote full working time and attention to ABM.

C. VERACITY. Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.

D. POSSIBLE CHANGE OF CONTROL. Executive agrees that if he is approached by any person to discuss a possible acquisition or other transaction that could result in a change of control of ABM, Executive will immediately advise the Chief Executive Officer, ABM's General Counsel and the Chair of the Governance Committee of the Board.

E. CODE OF BUSINESS CONDUCT. Executive agrees to fully comply with and annually execute a certification of compliance with ABM's Code of Business Conduct.

F. OTHER LAWS. Executive agrees to fully comply with the other laws and regulations that govern his performance and receipt of compensation under this Agreement.

10. **NO CONFLICT.** Executive represents to ABM that Executive is not bound by any contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement. Executive further represents that he is not bound by any other contracts or covenants that in any way restrict or limit Executive's activities in relation to his or her employment with ABM that have not been fully disclosed to ABM prior to the signing of this Agreement.

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

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

A. PROPRIETARY INFORMATION. Executive agrees to utilize and further Company's goodwill among its customers, sales prospects and employees, and acknowledges that Company may disclose to Executive and Executive may disclose to Company Proprietary Information.

B. DUTY OF LOYALTY. Executive agrees that the Proprietary Information and Company's goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. ABM makes the Proprietary Information and Company's goodwill available to Executive in reliance on Executive's agreement to hold the Proprietary Information and Company's goodwill in trust and confidence. Executive hereby acknowledges that to use this Proprietary Information and Company's goodwill other than for the benefit of Company would be a breach of such trust and confidence and a violation of Executive's duty of loyalty to Company.

13. **RESTRICTIVE COVENANTS.** In recognition of Paragraph 12 above, Executive hereby agrees that during the term of this Agreement and thereafter as specifically agreed herein:

A. NON-SOLICITATION OF EMPLOYEES. While employed by ABM and for a period of one year following Executive's termination of employment, Executive shall at no time directly or indirectly solicit or otherwise encourage or arrange for

any employee to terminate employment with Company except in the proper performance of this Agreement.

B. NON-DISCLOSURE. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.

C. NON-SOLICITATION OF CUSTOMERS. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and ABM hereby agree to be one year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any customer account or sales prospect with which Executive had direct business involvement on behalf of Company within one year prior to termination of this Agreement. In addition, Executive agrees that at all times after the termination of this Agreement, Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information or by any other unfair or unlawful business practice.

D. NON-DISPARAGEMENT. During Executive's employment with ABM and for a period of two years following termination of employment (whether voluntary or involuntary), Executive agrees not to make any comment or take any action which disparages, defames, or places in a negative light Company, its past and present officers, directors, and employees. ABM agrees that during this same period, its officers and directors shall refrain from making any comment or taking any action to disparage, defame, or place Executive in a negative public light.

E. COOPERATION. Upon termination of employment hereunder, Executive shall cooperate with Company in its defense or prosecution of any current or future matter in any forum, including but not limited to lawsuits, federal, state or local agency claims, audits and investigations, and internal and external investigations concerning any matter in which he was involved during his employment with ABM or about which he has or should have knowledge and information. Executive's cooperation shall include, but is not limited to, meeting with ABM's in-house and/or outside attorneys, communicating his knowledge of relevant facts to ABM's attorneys, experts, consultants, investigators, executives, management and human resources employees and other representatives, reviewing and commenting on any relevant documents, preparing any requested documentation and testifying at depositions, hearings, arbitrations, trials and any other forum at which Executive's participation and testimony is requested by ABM. In performing the tasks outlined in this Paragraph 13E, Executive shall be bound by the covenants of good faith and veracity set forth in Paragraph 9 of this Agreement and as outlined in ABM's Code of Business Conduct and Ethics. In performing responsibilities under this Paragraph 13E, Executive shall be compensated for his time at an hourly rate of $250 per hour.

F. LIMITATIONS. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices.

14. MODIFICATION OF EMPLOYMENT. At any time during the then current Initial or Extended Term, as applicable, of this Agreement, upon approval of a majority of the non-management directors of the Board, the Board shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to remove Executive as Senior Vice President of ABM and President of ABM Facility Services or from any other position in which Executive is then serving and to modify the nature of Executive's employment for the remainder of the then current Initial or Extended Term, as applicable, from that of a full-time employee to that of a part-time employee. The Modification Period shall commence immediately upon ABM giving Executive written notice of such change.

A. MODIFICATION ACTIONS. Upon commencement of the Modification Period: (i) Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries, as applicable, (ii) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph 11 of this Agreement, and (iii) ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus pursuant to Paragraph 7B(iii), or other contingent compensation, reimbursement of business expenses and fringe benefits.

B. MODIFICATION OBLIGATIONS. During the Modification Period: (i) Executive shall be deemed a part-time employee and not a full-time employee of ABM, (ii) Executive shall provide ABM with such occasional executive or managerial services as reasonably requested by the person(s) designated by the Chief Executive Officer, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death, or unavailability because of absence from the State of Employment, shall not affect Executive's right to receive payments under subparagraph 14B(iii), (iii) ABM shall continue to pay Executive's monthly salary pursuant to Paragraph 7A of this Agreement and shall pay directly to Executive a monthly amount equal to the Insurance Contribution immediately prior to the beginning of the Modification Period, (iv) Executive shall not be eligible or entitled to receive a Bonus with respect to the Modification Period or participate in any bonus or fringe benefits other than the ABM Employee Stock Purchase Plan and 401(k) plan provided that Executive continues to qualify under the terms of such plans, (v) Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, and (vi) ABM shall pay directly or reimburse Executive in accordance with the provisions of Paragraph 8 of this Agreement for reasonable

business expenses of ABM incurred by Executive in connection with such services requested by the person(s) designated by the Board.

C. MODIFICATION PERIOD. The Modification Period shall continue until the earlier of: (i) Total Disability or death, (ii) termination of this Agreement by ABM for Just Cause, (iii) Executive accepts employment or receives any other compensation from operating, assisting or otherwise being involved or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period, or (iv) expiration of the then current Initial or Extended Term, as applicable, of this Agreement.

15. EXTENSION OF EMPLOYMENT.

A. RENEWAL. Absent at least 90 days written notice of termination of employment or notice of non-renewal from ABM to Executive prior to expiration of the then current Initial or Extended Term, as applicable, of this Agreement, employment hereunder shall continue for an Extended Term (or another Extended Term, as applicable) of one year.

B. NOTICE OF NON-RENEWAL. In the event that notice of non-renewal is given 90 days prior to the expiration of the then Initial or Extended Term, as applicable, of this Agreement, employment shall continue on an "at will" basis following the expiration of such Initial or Extended Term. In such event, ABM shall have the right to terminate Executive's employment or to change the terms and conditions of Executive's employment, including but not limited to Executive's position and/or compensation .

16. TERMINATION OF EMPLOYMENT.

A. TERMINATION UPON EXPIRATION OF TERM. Subject to at least 90 days prior written notice of termination of employment, Executive's employment shall terminate, with or without cause, at the expiration of the then current Initial or Extended Term. ABM has the option, without terminating this Agreement, of placing Executive on a leave of absence at the full compensation set forth in Paragraph 7 of this Agreement, for any or all of such notice period.

B. TERMINATION FOR CAUSE. ABM may terminate Executive's employment hereunder at any time during the then current Initial or Extended Term, as applicable, of this Agreement, without notice subject only to a good faith determination by a majority of the Board of Just Cause.

C. VOLUNTARY TERMINATION BY EXECUTIVE. At any time during the then current Initial or Extended Term, as applicable, of this Agreement and with or without cause, Executive may terminate employment hereunder by giving ABM 90 days prior written notice**.**

D. DISABILITY OR DEATH. Employment hereunder shall automatically terminate upon the Total Disability or death of Executive. ABM shall pay when due to Executive or, upon death, Executive's designated beneficiary or estate, as applicable, any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

E. ACTIONS UPON TERMINATION. Upon termination of employment hereunder, Executive shall immediately resign as an officer and/or director of ABM and of any ABM subsidiaries or affiliates, as applicable. Executive shall promptly return and release all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies, passwords and documents set forth in Paragraph 11 of this Agreement. ABM shall pay Executive when due any and all previously earned, but as yet unpaid, salary, Bonus, other contingent compensation, reimbursement of business expenses and fringe benefits.

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

18. DISPUTE RESOLUTION.

A. ARBITRATION. Except as provided in Paragraph 18B below, any claim or dispute related to or arising from this Agreement (whether based in contract, statute or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by binding arbitration in accordance with the following procedures:

i. The arbitration shall be administered by AAA.

ii. Except as modified herein, the arbitration proceeding shall be administered pursuant to AAA's Commercial Rules.

iii. The parties will mutually agree upon two neutral arbitrators who shall be respectively designated the "Pre-hearing Arbitrator" and the "Hearing Arbitrator." The Pre-hearing Arbitrator shall preside over all issues or disputes arising prior to the hearing on the merits, including discovery issues and pre-hearing motions. The Hearing Arbitrator shall preside over the formal hearing on the merits and shall have the sole authority to issue a final and binding award in the matter.

iv. The parties may conduct the following discovery as a matter of right: (a) two depositions per side, (b) 35 non-compound interrogatories per side, which shall be answered under penalty of perjury by the responding party, (c) 35 non-compound document requests, which shall be answered under penalty of perjury by the responding party. Any additional discovery shall only take place as stipulated by the parties, as provided by the AAA's Commercial Rules, or as ordered by the Pre-hearing Arbitrator.

v. The Pre-hearing Arbitrator shall hear and rule upon such motions for summary judgment or summary adjudication as might be made by either party. Upon receipt of such a motion, the Pre-hearing Arbitrator shall consult with the parties and establish both a hearing date and a briefing schedule which allows an opposition and reply submission prior to the hearing.

vi. The cost of such arbitration shall be borne by ABM.

vii. Any such arbitration must be requested in writing within one year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived.

viii. Any such arbitration shall be held in the city and/or county of employment hereunder. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

B. LITIGATION / COURT ACTION. Disputes involving the threatened or actual breach of obligations set forth in Paragraphs 12 and 13 of this Agreement shall not be subject to arbitration. Rather, any such disputes shall be resolved through civil litigation, which may be filed in any court of competent jurisdiction.

19. REMEDIES & DAMAGES.

A. INJUNCTIVE RELIEF. The parties agree that compliance with Paragraphs 12 and 13 of this Agreement is necessary to protect the business and goodwill of Company, and that any breach of such Paragraphs will result in irreparable and continuing harm to Company, for which monetary damages may not provide adequate relief. Accordingly, in the event of any actual or threatened breach of Paragraphs 12 and 13 of this Agreement by Executive, ABM and Executive agree that ABM shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.

B. WITHHOLDING AUTHORIZATION. To the fullest extent permitted under the laws of the State of Employment hereunder, Executive authorizes ABM to

withhold from any severance payments otherwise due to Executive and from any other funds held for Executive's benefit by ABM, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of the underlying dispute as provided in Paragraph 18 above.

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

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

22. **SURVIVAL.** All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Paragraphs 13 and 18 of this Agreement, shall remain in full force and effect after the termination of this Agreement.

23. **REPRESENTATIONS.** Executive represents and agrees that he has carefully read and fully understands all of the provisions of this Agreement, that he is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if he chooses to do so.

24. **NOTICES.**

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

Executive: **Steven M. Zaccagnini**
26 Mountain Laurel
Dove Canyon, CA 92679

ABM: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: Chief Executive Officer

Copy: **ABM Industries Incorporated**
160 Pacific Avenue, Suite 222
San Francisco, CA 94111
Attention: General Counsel

B. RECEIPT. Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.

23. ENTIRE AGREEMENT. Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and ABM, and may only be changed by a written amendment signed by both Executive and ABM.

A. NO EXTERNAL EVIDENCE. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

B. SUPERSEDES OTHER AGREEMENTS. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and ABM prior to the date of this Agreement as well as all conflicting provisions of Company's Human Resources Manual, including but not limited to the termination, discipline and discharge provisions contained therein.

C. AMENDMENTS. This Agreement may not be amended except in a writing approved by the Board and signed by the Executive and the Chief Executive Officer.

IN WITNESS WHEREOF, Executive and the Chief Executive Officer have executed this Agreement as of the date set forth above.

Executive: Steven M. Zaccagnini

Signature: /s/ Steven M. Zaccagnini
Date: July 12, 2005

ABM: ABM Industries Incorporated

Signature: /s/ Henrik C. Slipsager
Henrik C. Slipsager
Title: Chief Executive Officer
Date: July 12, 2005

EXHIBIT A

2005 EXECUTIVE PERFORMANCE PEFORMANCE CRITERIA
ABM CORPORATE EXECUTIVE OFFICERS

I. FINANCIAL PERFORMANCE: Represents 50% of Target Bonus

(Actual earnings as published in Company's Form 10-K as filed with the Securities and Exchange Commission must exceed 80% of the 2005 budget, as approved by the ABM Board of Directors and adjusted for acquisitions, for Executive to receive a Financial Performance Bonus.)

Develops, obtains approval for, and effectively communicates realistic and GAAP compliant financial budgets and forecasts consistent with the approved Company and business unit strategy. Develops and ensures compliance with internal financial controls. Ensures that key financial goals are aggressively pursued. Contributes directly to the achievement of financial goals for Company and one's area(s) of responsibility. Ensures, to the extent possible, that performance of Company and one's area(s) of responsibility meets or exceeds budget in all key financial categories, including revenue, expense, and capital management. Effectively manages costs and, where appropriate, vendors and receivables.

Indicators: Timely development and approval of realistic financial goals and plans; understanding and acceptance of financial goals throughout the organization and one's direct span of control; existence of and compliance with effective internal financial controls. Company and business unit performance against budget.

II. OTHER CATEGORIES: Represents 50% of Target Bonus

STRATEGIC LEADERSHIP

Contributes materially to the development, approval, implementation and ongoing evolution of a sound business strategy for Company and/or one's area(s) of responsibility. Researches concepts and presents new ideas designed to optimize growth, profitability and shareholder value. Effectively communicates the approved strategy both internally and externally, as appropriate, and provides guidance to ensure that the approved strategy is carried out.

Indicators: Agreement among management and approval by the Board of Directors of a defined business strategy; effective translation and communication of the approved strategy to one's area of responsibility and other internal and external constituents, as appropriate; proactive revision of strategy to reflect changing situations; depth of knowledge of one's market, competitors, and trends.

EMPLOYEE LEADERSHIP

1. Employee Relations

   Maintains sound relationships with superiors, peers, subordinates and, as appropriate, the Board of Directors. Commands respect and trust while being considered fair and open in dealings with others.

   Indicators: Employee complaints; perception among supervisors, peers, subordinates and the Board of Directors.

2. Staff Development

   Actively contributes to the development of staff under one's span of control. Provides guidance to subordinates on key issues and makes time to help others. Establishes and communicates goals and expectations. Provides open and honest feedback. Identifies and develops potential successors to key roles.

   Indicators: Proactive individual goal-setting and ongoing review process; demonstrated development/improvement of subordinates; effective succession planning.

3. Recruitment, Retention and Motivation

   Generates enthusiasm among superiors, subordinates and peers. Directly contributes to creating a performance oriented culture. Identifies and distinguishes top performers. Retains key employees and assists in identifying and recruiting top external talent as needed.

   Indicators: Employee retention; positive morale; success in recruiting new talent.

4. Teamwork

   Practices open, effective and inclusive communication within one's own span of control and across Company. Actively seeks ways to build links across Company with the objective of capitalizing on and sharing "best practices."

   Indicators: Development and implementation of procedures and processes that promote the application of "best practices" across Company and within one's span of control. Perception as a "team player."

COMPLIANCE AND ADMINISTRATION

Ensures compliance with all external regulations and internal guidelines and policies associated with Safety, Employee/Labor Relations and other areas pertaining to Company's various businesses. Ensures management policies and reports effectively address key issues. Provides for open channels of communication to ensure that appropriate individuals, both internally and externally, are notified in a timely manner in the event of compliance or other related issues. Achieves certification of Internal Controls for Sarbanes-Oxley Section 404.

Indicators: Volume and severity of labor/employee relations or other compliance issues; effective handling of such issues as they arise; timely and proper reporting of such issues.

Exhibit B

Name of Executive: Steven M. Zaccagnini

2005 EXECUTIVE PERFORMANCE BONUS MODIFIER RECOMMENDATION
CALCULATION WORKSHEET
CORPORATE EXECUTIVE OFFICERS

Circle one rating in each category	*Unsatisfactory*		*Needs Improvement*		*Meets Requirements*		*Exceeds Requirements*		*Superior Performance*	*Outstanding*
I. FINANCIAL PERFORMANCE Represents 50% of Target Bonus (Category rating requires actual earnings minimum of 80% of budget*)	5	7	9	12	15	18	21	24	27	30
CATEGORY I RATING SCORE:										
II. OTHER CATEGORIES										
STRATEGIC LEADERSHIP	1	2	3	4	5	6	7	8	9	10
EMPLOYEE LEADERSHIP Employee Relations Staff Development Recruitment, Retention, Motivation Teamwork	1	2	3	4	5	6	7	8	9	10
COMPLIANCE & ADMINISTRATION	1	2	3	4	5	6	7	8	9	10
CATEGORY II RATING SCORE:										

*See 2005 Executive Performance Bonus Indicators

Reviewer's Signature

EXHIBIT 31.1

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

I, Henrik C. Slipsager, certify that:

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

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

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

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

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

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

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

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

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

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

September 9, 2005

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

EXHIBIT 31.2

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

I, George B. Sundby, certify that:

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

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

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

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

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

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

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

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

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

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

September 9, 2005

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

EXHIBIT 32.1

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

In connection with the quarterly report of ABM Industries Incorporated (the "Company") on Form 10-Q for the period ended July 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henrik C. Slipsager, Chief Executive Officer of the Company, and George B. Sundby, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the Untied States Code, that:

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

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

September 9, 2005

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

September 9, 2005

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