

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

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 2011

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1369354
(I.R.S. Employer
Identification No.)

551 Fifth Avenue, Suite 300, New York, New York
(Address of principal executive offices)

10176
(Zip Code)

(212) 297-0200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------------|--|
| Common Stock, \$.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

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

As of April 29, 2011 (the last business day of registrant's most recently completed second fiscal quarter), non-affiliates of the registrant beneficially owned shares of the registrant's common stock with an aggregate market value of \$1,271,361,902 computed by reference to the price at which the common stock was last sold.

Number of shares of common stock outstanding as of December 9, 2011: 53,353,511.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be used by the Company in connection with its 2012 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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ABM Industries Incorporated
Form 10-K
For the Fiscal Year Ended October 31, 2011

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, and in particular statements found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, that are not historical in nature constitute forward-looking statements. These statements are often identified by the words "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "estimate," "intend" and other words of a similar nature. Such statements reflect the current views of ABM Industries Incorporated ("ABM"), through its subsidiaries (collectively, the "Company"), with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. In Item 1A, the Company has listed specific risks and uncertainties that you should carefully read and consider. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

PART I

ITEM 1. BUSINESS

Introduction

The Company is a leading provider of end-to-end integrated facilities management services in the United States. The Company provides janitorial, engineering, parking and security services for thousands of commercial, industrial, institutional, governmental and retail client facilities in hundreds of cities, primarily throughout the United States. The Company employed approximately 96,000 employees at October 31, 2011, the vast majority of whom are service employees.

The Company was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909. The Company's corporate headquarters are located at 551 Fifth Avenue, Suite 300, New York, New York 10176. The telephone number is (212) 297-0200. The Company's website is www.abm.com. Through the "SEC Filings" link on the Investor Relations section of the Company's website, the following filings and amendments to those filings are made available free of charge, as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: (1) Annual Reports on Form 10-K, (2) Quarterly Reports on Form 10-Q, (3) Current Reports on Form 8-K, (4) Proxy Statements, and (5) filings by the Company's directors and executive officers under Section 16(a) of the Securities Exchange Act of 1934. The Company's Corporate Governance Guidelines, Code of Business Conduct and the charters of its Audit, Compensation, Corporate Citizenship and Communications, and Governance Committees are available through the "Governance" link on the Investor Relations section of the Company's website and are also available in print, free of charge, to those who request them. Information contained on the Company's website shall not be deemed incorporated into, or to be a part of, this Annual Report on Form 10-K. Unless otherwise noted, all information in this report and references to years are based on the Company's fiscal year which ends on October 31.

Acquisitions

On December 1, 2010, the Company acquired The Linc Group, LLC ("Linc") pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), by and among ABM, Linc, GI Manager LP, as the Members Representative, and Lightning Services, LLC, a wholly-owned subsidiary of ABM ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Linc, and Linc continued as the surviving corporation and as a wholly owned subsidiary of ABM. The aggregate purchase price for all of the outstanding limited liability company interests of Linc was \$298.7 million in cash. In connection with the acquisition, the Company incurred \$5.2 million in direct acquisition costs which were expensed as incurred and classified as selling, general and administrative expenses. Linc provides end-to-end integrated facilities management services, military base operation services, and translation and other services in support of U.S. military operations. Linc's clients include state and federal governments, commercial entities and residential customers, throughout the United States and in select international

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locations. Some of these services are performed through franchisees and other affiliated entities. The operations of Linc are included in the Engineering segment as of the acquisition date. Revenues and operating profit associated with Linc and included in the Company's consolidated statement of income were \$512.9 million and \$11.1 million (excluding transaction costs and the interest expense associated with the borrowings under the Company's line of credit used to finance the acquisition, which were recorded at the Corporate segment), respectively, for 2011.

Segment Information

The Company conducts business through a number of subsidiaries that are grouped into four operating segments. At October 31, 2011, the four reportable operating segments were:

- i Janitorial
- i Engineering
- i Parking
- i Security

The business activities of the Company by reportable operating segment are more fully described below.

Janitorial. Certain of the Company's subsidiaries provide a wide range of essential janitorial services for clients, primarily throughout the United States, in a variety of facilities, including commercial office buildings, industrial buildings, retail stores, shopping centers, warehouses, airport terminals, health facilities, educational institutions, stadiums and arenas, and government buildings. These services include, among others, floor cleaning and finishing, window washing, furniture polishing, carpet cleaning and dusting, and other building cleaning services. The Company's Janitorial subsidiaries operate in 49 states and the District of Columbia under thousands of individually negotiated building maintenance contracts, most of which are obtained by competitive bidding. These arrangements include "fixed price" agreements, "cost-plus" agreements and "tag" (extra service) work. Fixed price arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. A variation of a fixed price arrangement is a square-foot arrangement, under which monthly billings are fixed based on the actual square footage serviced. Cost-plus arrangements are agreements in which the clients reimburse the Company for the agreed-upon amount of wages and benefits, payroll taxes, insurance charges and other expenses associated with the contracted work, plus a profit percentage. Tag work generally represents supplemental services requested by clients outside of the standard contract terms and generally produce higher margins. Examples are cleanup after tenant moves, construction cleanup, flood cleanup, snow removal and extermination services. Profit margins on contracts tend to be inversely proportional to the size of the contract, as large-scale contracts tend to be more competitively priced than small or standalone agreements. The majority of the Janitorial segment's contracts are fixed price agreements for one to three year periods and contain automatic renewal clauses, but are subject to termination by either party after 30 to 90 days' written notice.

Engineering. Certain of the Company's subsidiaries provide end-to-end integrated facilities services, building operations and maintenance, and bundled energy solutions through both mobile and onsite applications. The Company's Engineering subsidiaries primarily operate in 49 states and the District of Columbia. These mobile and onsite services include both mechanical engineering and technical services and solutions for infrastructure systems, which include preventative maintenance, retro-commissioning, mechanical retrofits and upgrades, electric vehicle charging stations, electrical service, systems start-ups, performance testing, and energy audits. These services are designed to extend the useful life of facility fixed assets, improve equipment operating efficiencies, reduce energy consumption, lower clients overall operational costs, and enhance the sustainability of client locations. These services are essential to federal, state and local government facilities; military installations; commercial infrastructure; airports / transportation centers; healthcare centers and hospitals; data centers; high technology manufacturing facilities; educational campuses; corporate office buildings; resorts; shopping malls; museums; and single and multi-tenant residences. In addition, included within the Engineering segment are individual and area franchises that permit companies to perform engineering services under the Linc Network® brand. Subsidiaries in the Engineering segment also provide programs in support of U.S. Government

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operations, such as leadership development, education and training; language support services; medical support services; and construction management. In 2011, approximately 21% of the Engineering segment revenues were generated from contracts with the U.S. Government. The Engineering segment's contracts are structured as cost-plus arrangements in which clients reimburse the Company for the agreed-upon amount of wages and benefits, payroll taxes, insurance charges and other expenses associated with the contracted work, plus a profit percentage or as fixed-price agreements. Fixed-price agreements are contracts in which the client agrees to pay a fixed fee for a defined scope of services. The majority of the Company's Engineering contracts are for three-year periods and may contain renewal clauses, but are subject to termination by either party after 30 to 90 days' written notice. U.S. Government contracts are normally structured as one year contracts with multiple option years and contain the contractual right to terminate or reduce the amount of work at any time.

Parking. Certain of the Company's subsidiaries provide parking and transportation services in 38 states and the District of Columbia. The Company operates parking lots and garages at many facilities, including office buildings, hotels, medical centers, retail centers, sports and entertainment arenas, educational institutions, municipalities, and airports. Nearly all contracts are obtained by competitive bidding. There are three types of arrangements for parking services: managed locations, leased locations, and allowance locations. Under the managed arrangements, the Company manages the underlying parking facility for the owner in exchange for a management fee. Contract terms for managed arrangements are generally from one to three years, can usually be terminated upon 30 days' notice, and may also contain renewal clauses. The Company passes through revenues and expenses from managed locations to the facility owner under the terms and conditions of the contract. Under leased location arrangements, the Company leases parking facilities from the owner and is responsible for a majority of the operating expenses incurred. Under these arrangements, the Company retains all revenues from monthly and transient parkers and pays rent to the owner per the terms and conditions of the lease. The lease terms generally range from one to five years and provide for payment of a fixed amount of rent plus a percentage of revenues. The leases usually contain renewal options and may be terminated by the owner for various reasons, including development of real estate. Leases that expire may continue on a month-to-month basis. Under allowance arrangements, the Company is paid a fixed or hourly fee to provide parking services and is then responsible for the agreed-upon operating expenses based upon the agreement terms. Allowance contract terms are generally from one to three years, can usually be terminated upon 30 days' notice, and may also contain renewal clauses. The Company continues to improve parking operations through the increased use of technology, including: enhancements to the proprietary revenue control software, SCORE⁴; implementation of the Company's client access software, ABM4WD.com; and on-line payment software.

Security. Certain of the Company's subsidiaries provide security services to a wide range of businesses. The Company's Security subsidiaries operate in 39 states and the District of Columbia. Security services include: staffing of security officers, mobile patrol services, investigative services, electronic monitoring of fire, life safety systems and access control devices, and security consulting services. Clients served include Class "A" high rise, commercial, industrial, retail, medical, petro-chemical, and residential facilities. Security Staffing, or "Guarding," is the provision of dedicated security officers to a client facility. This component is the core of the security business and represents the largest portion of its revenues. Mobile patrol is the use of roving security officers in vehicles that serve multiple locations and clients across a pre-defined geographic area. Investigative services include white collar crime investigation, undercover operations, and background screening services. Electronic monitoring is primarily achieved through the subsidiary's partnership with a major systems integrator. The revenues for Security are generally based on actual hours of service at contractually specified rates. In some cases, flat monthly billing or single rate billing is used, especially in the case of mobile patrol and investigative services. The majority of Security contracts are for one year periods and generally contain automatic renewal clauses, but are subject to termination by either party after 30 to 90 days' written notice. Nearly all Security contracts are obtained by competitive bidding. The Company has implemented AuditMatic[®] reporting and incident tracking software and various technology offerings, and was awarded SAFETY Act Certification from The U.S. Department of Homeland Security in 2008.

See Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplemental Data," for the operating results of the reportable operating segments.

Trademarks

The Company believes that it owns or is licensed to use all corporate names, trade names, trademarks, service marks, copyrights, patents, and trade secrets that are material to the Company's operations.

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 in the facility services business results in a very competitive market, and the Company experiences competition from a large number of mostly regional and local owner-operated companies, primarily located in major cities throughout the United States. The Company also competes on a national basis with the operating divisions of a few large, diversified facility services and manufacturing companies. Indirectly, the Company competes with building owners and tenants that can perform one or more of the Company's services internally. 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 as costs rise, thereby reducing margins.

Sales and Marketing

The Company's sales and marketing efforts are conducted by its corporate, subsidiary, regional, branch, and district offices. Sales, marketing, management and, operations personnel in each of these offices participate directly in selling to and servicing clients. The broad geographic scope of these offices enables the Company to provide a full range of facility services through intercompany sales referrals, multi-service "bundled" sales, and national account sales.

The Company has a broad client base in a variety of facilities, including, but not limited to, commercial office buildings, government buildings, industrial buildings, retail stores, shopping centers, warehouses, airports, health facilities, educational institutions, stadiums, and arenas. No client accounted for more than 5% of the Company's consolidated revenues during 2011, 2010, or 2009.

Employees

As of October 31, 2011, the Company employed approximately 96,000 employees. Approximately 42,000 of these employees are covered under collective bargaining agreements. Approximately 7,000 of the Company's employees have executive, managerial, supervisory, administrative, professional, sales, marketing, office, or clerical responsibilities.

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. In addition, from time to time the Company is involved in environmental matters at certain of its locations or in connection with its operations. Historically, the cost of complying with environmental laws or resolving environmental issues relating to United States locations or operations has not had a material adverse effect on the Company's financial position, results of operations or cash flows. The Company does not believe that the resolution of known matters at this time will be material.

ITEM 1A. RISK FACTORS

RISKS RELATING TO OUR OPERATIONS

Risks relating to our acquisition strategy may adversely impact our results of operations. A significant portion of our historic growth has been generated by acquisitions and we expect to continue to acquire businesses in the future as part of our growth strategy. A slowdown in the pace of our acquisitions could lead to a slower growth rate, constant or lower margins, as well as lower revenue growth. There can be no assurance that any acquisition we make in the future will provide us with the benefits that we anticipate when entering into the transaction. The process of integrating an acquired business may create unforeseen difficulties and expenses. The areas in which we may face risks in connection with any potential acquisitions of a business include, but are not limited to:

- The acquisition may divert management time and focus from operating our business to acquisition integration;
- Key employees may not remain, which could negatively impact our ability to grow the acquired business;
- The failure to integrate the acquired business's accounting, information technology, human resources and other administrative systems to permit effective management and reduce expenses;
- The failure to implement or improve internal controls, procedures and policies appropriate for a public company at a business that prior to the acquisition lacked some of these controls, procedures and policies;
- Incurrence of additional indebtedness as a result of an acquisition could impact our financial position and results of operations; and
- We may encounter unanticipated or unknown liabilities relating to the acquired business.

We are subject to intense competition that can constrain our ability to gain business, as well as our profitability. We believe that each aspect of our business is highly competitive and that such competition is based primarily on price and quality of service. We provide nearly all our services under contracts originally obtained through competitive bidding. The low cost of entry to the facility services business has led to strongly competitive markets consisting primarily of regional and local owner-operated companies. We also compete with a few large, diversified facility services and manufacturing companies on a national basis. Indirectly, we compete with building owners and tenants who can perform internally one or more of the services that we provide. These building owners and tenants have an increased advantage in locations where our services are subject to sales tax and internal operations are not. Competitors may have lower costs because privately owned companies operating in a limited geographic area may have significantly lower labor and overhead costs. In addition, our Engineering business requires persons with specialized skills and our ability to retain and attract qualified employees depends on workforce availability and our ability to successfully compete for qualified persons having the necessary skills. These strong competitive pressures could impede our success in bidding for profitable business and our ability to increase prices even as costs rise, thereby reducing margins.

An increase in costs that we cannot pass on to clients could affect our profitability. We negotiate many contracts under which our clients agree to pay certain costs related to workers' compensation and other insurance coverage where we self-insure much of our risk. If actual costs exceed the rates specified in the contracts, our profitability may decline unless we can negotiate increases in these rates. In addition, if our costs, particularly workers' compensation, other insurance costs, labor costs, payroll taxes, and fuel costs, exceed those of our competitors, we may lose existing business unless we reduce our rates to levels that may not fully cover our costs.

We have high deductibles for certain insurable risks, and therefore we are subject to volatility associated with those risks. We are subject to certain insurable risks such as workers' compensation, general liability, automobile and property damage. We maintain commercial insurance policies that provide \$150.0 million (or \$75.0 million with respect to claims acquired from OneSource Services, Inc. ("OneSource") in 2008) of coverage for certain risk exposures above our deductibles (i.e., self-insurance

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retention limits). Our deductibles, currently and historically, have generally ranged from \$0.5 million to \$1.0 million per occurrence (in some cases somewhat higher in California). We are also responsible for claims in excess of our insurance coverage. Pursuant to our management and service contracts, we allocate a portion of our insurance-related costs to certain clients, including workers' compensation insurance, at rates that, because of the scale of our operations and claims experience, we believe are competitive. A material change in our insurance costs due to a change in the number of claims, costs or premiums could have a material effect on our operating results. Should we be unable to renew our umbrella and other commercial insurance policies at competitive rates, it would have an adverse impact on our business, as would the incurrence of catastrophic uninsured claims or the inability or refusal of our insurance carriers to pay otherwise insured claims. Further, to the extent that we self-insure, deterioration in claims management could increase claim costs, particularly in the workers' compensation area. Additionally, although we engage third-party experts to assist us in estimating appropriate self-insurance accounting reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on our reserves. For example, quantitative assessments of the impact of recently enacted legislation/regulation and/or court rulings require a great deal of actuarial judgment, which are then updated as actual experience becomes available. Changes in our insurance reserves as a result of our periodic evaluations of the related liabilities will likely cause significant volatility in our operating results that might not be indicative of the operations of our ongoing business.

We primarily provide our services pursuant to agreements which are cancelable by either party upon 30 to 90 days' notice. Our clients can unilaterally decrease the amount of services we provide or terminate all services pursuant to the terms of our service agreements. Any loss of a significant number of clients could in the aggregate materially adversely affect our operating results.

Our success depends on our ability to preserve our long-term relationships with clients. The business associated with long-term relationships is generally more profitable than that associated with short-term relationships because we incur start-up costs under many new contracts. Once these costs are expensed or fully depreciated over the appropriate periods, the underlying contracts become more profitable. Our loss of long-term clients could have an adverse impact on our profitability even if we generate equivalent revenues from new clients.

Our international business exposes us to additional risks. Although substantially all of our operations are conducted in the United States, our international business, which includes operations through joint ventures, is subject to U.S. and foreign laws and regulations, including, without limitation, regulations relating to exchange controls and the Foreign Corrupt Practices Act. Failure by our employees, representatives or agents, as well as those of our joint ventures, to comply with these laws and regulations could result in administrative, civil or criminal liabilities and could result in suspension or debarment from government contracts, which could have a material adverse effect on us. Additionally, the services we provide internationally, including through the use of subcontractors, are sometimes in areas of military conflict or at military installations, which increases the risk of a situation causing injury or loss of life to our employees, subcontractors or other third parties. Any accidents or incidents that occur in connection with our international operations could adversely affect our reputation, make it more difficult for us to compete for future contracts, or result in the loss of existing and future contracts. The impact of these factors is difficult to predict, but any one or more of them could adversely affect our financial position, results of operations, or cash flows.

We conduct some of our operations through joint ventures and our ability to do business may be affected by the failure of our joint venture partners to perform their obligations or the improper conduct of joint venture employees, joint venture partners or agents. The success of our joint ventures depends, in large degree, on the satisfactory performance by our joint venture partners of their joint venture obligations, including their obligation to commit capital, equity or credit support as required by the joint venture agreements. If a joint venture partner fails to perform its joint venture obligations as a result of financial or other difficulties or any other reason, the joint venture may be unable to perform or deliver its contracted services. In addition, we also participate in joint ventures where we are not a controlling party, and in these cases, we may have limited control over the joint venture. We also may not

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be able to prevent and detect acts committed by joint venture employees, joint venture partners or agents that would violate the laws of the United States or other jurisdictions in which we operate, and any such violation could have a negative effect on our business. Any improper actions could result in civil or criminal investigations and monetary and non-monetary penalties and could have an adverse effect on our results of operations, our reputation and our ability to conduct business.

Significant delays or reductions in appropriations for our government contracts may negatively affect our business and could have an adverse effect on our financial position, results of operations or cash flows. The funding of U.S. Government programs is subject to an annual congressional budget authorization and appropriation processes. In many situations, Congress appropriates funds on a fiscal year basis even though the contract performance period may extend over several fiscal years. Accordingly, programs are often partially funded and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we may not receive reimbursement of those costs unless additional funds are appropriated. In the event that government funding for any of the programs relating to our government contracts is reduced or delayed, our contract or subcontract under such program could be terminated or adjusted by the U.S. Government, which could have an adverse effect on our financial position, results of operations, and/or cash flows.

We incur significant accounting and other control costs that reduce profitability. As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if accounting or other controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Most of our competitors are privately owned, so our accounting and control costs can be a competitive disadvantage. Should revenues decline or if we are unsuccessful at increasing prices to cover higher expenditures for internal controls and audits, the costs associated with regulatory compliance will rise as a percentage of revenues.

RISKS RELATED TO MARKET AND ECONOMIC CONDITIONS

A decline in commercial office building occupancy and rental rates could affect our revenues and profitability. Our revenues are affected by commercial real estate occupancy levels. In certain geographic areas and service segments, our most profitable revenues are known as tag jobs, which are services performed for tenants in buildings in which our business 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 tag work, which would lower revenues, and create pricing pressures and therefore lower margins. Additionally, adverse changes in occupancy rates may further reduce demand, depress prices for our services and cause our clients to cancel their agreements to purchase our services, thereby possibly reducing earnings and adversely affecting our business and results of operations. In addition, in those areas where the workers are unionized, decreases in revenues can be accompanied by relative increases in labor costs if we are obligated by collective bargaining agreements to retain workers with seniority and consequently higher compensation levels and cannot pass on these costs to clients.

Deterioration in economic conditions in general could further reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition. Changes in global, national and local economic conditions could have a negative impact on our business. Additionally, adverse economic conditions may result in clients cutting back on discretionary spending, such as tag work. Since a significant portion of Parking revenues is tied to the number of airline passengers, hotel guests, and attendance at sports arenas, Parking results could be adversely affected by curtailment of business, personal travel, and cutbacks in discretionary spending.

Financial difficulties or bankruptcy of one or more of our major clients could adversely affect our results. Future revenues and our ability to collect accounts receivable depend, in part, on the financial strength of clients. We estimate an allowance for accounts we do not consider collectible and this allowance adversely impacts profitability. In the event clients experience financial difficulty, and particularly if bankruptcy results, profitability is further impacted by our failure to collect accounts receivable in excess of the estimated allowance. Additionally, our future revenues would be reduced by the loss of these clients.

Our ability to operate and pay our debt obligations depends upon our access to cash. Because ABM conducts business operations through operating subsidiaries, we depend on those entities to generate the funds necessary to meet financial obligations. Delays in collections, which could be heightened by disruption in the credit markets and the financial services industry, or legal restrictions could restrict our subsidiaries' ability to make distributions or loans to ABM. The earnings from, or other available assets of, these operating subsidiaries may not be sufficient to make distributions to enable us to pay interest on debt obligations when due or to pay the principal of such debt. We have standby letters of credit collateralizing self-insurance claims and insurance deposits that represent amounts collateralizing self-insurance claims that we cannot access for operations. In addition, \$20.0 million original principal amount of our investment portfolio is invested in auction rate securities that are not actively traded. In the event we need to liquidate our auction rate securities prior to a successful auction, our expected holding period, or their scheduled maturity, we might not be able to do so without realizing further losses.

Future declines in the fair value of our investments in auction rate securities could negatively impact our earnings. Future declines in the fair value of our investments in auction rate securities that we deem temporary will be recorded to accumulated other comprehensive income, net of taxes. In the past, we have experienced declines in the fair value of our investments in auction rate securities that we have determined to be other-than-temporary. If at any time in the future we determine that a further decline in fair value is other-than-temporary, we will record a charge to earnings for the credit loss portion of the impairment. In addition, the significant assumptions used in estimating credit losses may be different than actual realized losses, which could impact our earnings.

Uncertainty in the credit markets may negatively impact our costs of borrowing, our ability to collect receivables on a timely basis and our cash flow. The United States and global economies and the financial and credit markets continue to experience declines or slow growth and there continues to be diminished liquidity and credit availability. These conditions may have a material adverse effect on our operations and our costs of borrowing. In addition, the tightening of credit in financial markets may adversely affect the ability of our clients to obtain financing, which could adversely impact our ability to collect amounts due from such clients or result in a decrease, or cancellation, of our services under our client contracts. Declines in our ability to collect receivables or in the level of client spending could adversely affect the results of our operations and our liquidity.

RISKS RELATING TO INDEBTEDNESS AND IMPAIRMENT CHARGES

Any future increase in the level of debt or in interest rates can affect our results of operations. Any future increase in the level of debt will likely increase our interest expense. Unless the operating income associated with the use of these funds exceeds the debt expense, borrowing money will have an adverse impact on our results. In addition, incurring debt requires that a portion of cash flow from operating activities be dedicated to interest payments and principal payments. Debt service requirements could reduce our ability to use our cash flow to fund operations and capital expenditures or to capitalize on future business opportunities (including additional acquisitions). Because current interest rates on our debt are variable, an increase in prevailing rates would increase our interest costs. Further, our credit facility agreement contains both financial covenants and covenants that limit our ability to engage in specified transactions, which may also constrain our flexibility.

An impairment charge could have a material adverse effect on our financial condition and results of operations. Under Accounting Standards Codification™ (“ASC”) 350, “Intangibles – Goodwill and Other”, we are required to test goodwill for impairment on an annual basis based upon a fair value approach. Goodwill represents the excess of the amount we paid to acquire our subsidiaries and other businesses over the fair value of their net assets at the dates of the acquisitions. We have chosen to perform our annual impairment reviews of goodwill at the beginning of the fourth quarter of each fiscal year. We also are required to test goodwill for impairment between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of any reporting unit below its

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carrying amount. In addition, we test certain intangible assets for impairment annually or if events occur or circumstances change that would indicate the remaining carrying amount of these intangible assets might not be recoverable. These events or circumstances could include, but are not limited to, a significant change in the business climate, legal factors, operating performance indicators, competition, and sale or disposition of a significant portion of one of our businesses. If the fair market value of one of our businesses is less than its carrying amount, we could be required to record an impairment charge. The valuation of the businesses requires judgment in evaluating, among other things, recent indications of market activity, and estimating future cash flows, discount rates and other factors. In making these judgments, we evaluate the financial health of our business, including such factors as market performance, changes in our client base and operating cash flows. The amount of any impairment could have a material adverse effect on our reported financial results for the period in which the charge is taken.

RISKS RELATED TO LABOR AND LEGAL PROCEEDINGS

We are defendants in several class and representative actions or other lawsuits alleging various claims that could cause us to incur substantial liabilities. We are defendants in several class and representative action lawsuits brought by or on behalf of our current and former employees alleging violations of federal and state law, including those relating to certain wage and hour matters and other laws regulating the workplace. It is not possible to predict the outcome of these lawsuits or any other litigation or arbitration to which we are subject. These lawsuits and other proceedings may consume substantial amounts of our financial and managerial resources, regardless of the ultimate outcome of the lawsuits and other proceedings. In addition, we may become subject to similar lawsuits in the same or other jurisdictions. An unfavorable outcome with respect to these lawsuits and any future lawsuits could, individually or in the aggregate, cause us to incur substantial liabilities that may have a material adverse effect upon our business, reputation, financial condition or results of operations.

Federal health care reform legislation may adversely affect our business and results of operations. In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the United States (collectively, the "Health Care Reform Laws"). The Health Care Reform Laws include a large number of health-related provisions that become effective over the next three years, including requiring most individuals to have health insurance and establishing new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2014 penalties will be assessed on large employers who do not offer health insurance that meets certain affordability or benefit requirements. Providing such additional health insurance benefits to our employees, or the payment of penalties if such coverage is not provided, would increase our expense. If we are unable to raise the rates we charge our clients to cover this expense, such increases in expense could reduce our operating profit.

In addition, under the Health Care Reform Laws employers will have to file a significant amount of additional information with the Internal Revenue Service and will have to develop systems and processes to track requisite information. We will have to modify our current systems, which could increase our general and administrative expense.

Changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations and financial results. Because many jobs in our Janitorial segment do not require the ability to read or write English, we are an attractive employer for recent émigrés to this country and many of our jobs are filled by such. Adverse changes to existing laws and regulations applicable to employment of immigrants, enforcement requirements or practices under those laws and regulations, and inspections or investigations by immigration authorities or the prospects or rumors of any of the foregoing, even if no violations exist, could negatively impact the availability and cost of personnel and labor to the Company and the Company's reputation.

Labor disputes could lead to loss of revenues or expense variations. At October 31, 2011, approximately 43% of our employees were subject to various local collective bargaining agreements, some of which will expire or become subject to renegotiation during the year. In addition, at any given time, we may face a number of union organizing drives. When one or more of our major collective bargaining agreements becomes subject to renegotiation or when we face union organizing drives, we

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and the union may disagree on important issues that, in turn, could lead to a strike, work slowdown or other job actions at one or more of our locations. In a market where we and a number of major competitors are unionized, but other competitors are not unionized, we could lose clients to competitors who are not unionized. A strike, work slowdown or other job action could in some cases disrupt us from providing services, resulting in reduced revenues. If declines in client service occur or if our clients are targeted for sympathy strikes by other unionized workers, contract cancellations could result. The result of negotiating a first time agreement or renegotiating an existing collective bargaining agreement could result in a substantial increase in labor and benefits expenses that we may be unable to pass through to clients.

We participate in multiemployer defined benefit plans which could result in substantial liabilities being incurred. We contribute to multiemployer benefit plans that could result in our being responsible for unfunded liabilities under such plans that could be material.

OTHER

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns or leases properties in domestic and foreign locations. As of October 31, 2011, the Company had corporate, subsidiary, regional, branch or district offices in approximately 334 locations throughout the United States, the Commonwealth of Puerto Rico, Canada, the United Arab Emirates, and the Kingdom of Saudi Arabia. At October 31, 2011, the Company owned 13 facilities having an aggregate net book value of \$4.4 million and which were located in: (1) Jacksonville and Tampa, Florida; (2) Portland, Oregon; (3) Houston and San Antonio, Texas; (4) Lake Tansi, Tennessee; (5) Kennewick, Spokane and Tacoma, Washington; (6) Spartanburg, South Carolina; and (7) Huntsville, Alabama.

Rental payments under long- and short-term lease agreements amounted to \$133.4 million in 2011. Of this amount, \$92.1 million in rental expense was attributable to parking lots and garages leased and operated by the Parking segment. The remaining expense was for the rental or lease of office space, computers, operating equipment and motor vehicles for the Company's businesses.

ITEM 3. LEGAL PROCEEDINGS

The Company has been named a defendant in various proceedings arising in the ordinary course of business, including class actions and purported class actions. Litigation outcomes are difficult to predict and are often resolved over long periods of time.

The Company is, or during 2011 was, a defendant in, among others, the following class action or purported class action lawsuits related to alleged violations of federal and/or state wage-and-hour laws:

- the consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services (ACSS) filed July 12, 2005, in the Superior Court of California, Los Angeles County (the "Augustus case");
- the consolidated case of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (the "Batiz case")

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- the consolidated cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco (the “Bucio case”);
- the consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006, in L.A. Superior Court (the “Diaz case”);
- Khadera v. American Building Maintenance Co.-West and ABM Industries filed on March 24, 2008, in U.S District Court of Washington, Western District (the “Khadera case”);
- Simpson v. ABM Janitorial Services-Northwest, Inc., and ABM Industries Incorporated filed on September 24, 2010 in the Superior Court for the State of Washington in and for King County (the “Simpson case”); and
- Villacres v. ABM Security filed on August 15, 2007, in the U.S. District Court of California, Central District (the “Villacres case”).

The named plaintiffs in the lawsuits described above are current or former employees of subsidiaries of ABM who allege, among other things, that they were required to work “off the clock,” were not paid proper minimum wage or overtime, were not provided work breaks or other benefits, and/or that they received pay stubs not conforming to state law. In all cases, the plaintiffs generally seek unspecified monetary damages, injunctive relief or both.

Augustus

The Augustus case involves allegations that the Company violated certain state laws relating to meal and rest breaks. On January 8, 2009, the Augustus case was certified as a class action by the Superior Court of California, Los Angeles County. On October 6, 2010, the Company moved to decertify the class and for summary judgment. Plaintiffs also moved for summary judgment on the rest break claim. On December 28, 2010, the Superior Court de-certified the portion of the class related to the meal break claims and granted summary judgment for the plaintiffs with respect to the rest break issue. On July 11, 2011, the Court closed the class period as of July 1, 2011 and vacated the previously scheduled trial date of September 12, 2011. No trial date has been scheduled. An estimate of the potential exposure, if any, cannot be made at this time.

Batiz

The Company was a defendant in the previously reported consolidated cases of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (the “Batiz case”). The Batiz case involved allegations relating to unpaid overtime. On September 29, 2010, the Batiz case was decertified as a class action by the United States District Court of California, Central District, and all opt-in plaintiffs were dismissed without prejudice. During the three months ended April 30, 2011, the Company settled this case and paid an aggregate amount of approximately \$0.3 million in connection with the settlement.

Bucio

In connection with the Bucio case, a purported class action involving allegations that the Company failed to track work time and provide breaks, on April 19, 2011 the trial court held a hearing on plaintiffs’ motion to certify the class. At the conclusion of that hearing, the trial court denied plaintiffs’ motion to certify the class. On May 11, 2011, the plaintiffs filed a motion to reconsider, which was denied. The plaintiffs have appealed the class certification issues. The trial court stayed the underlying lawsuit pending the decision in the appeal.

Diaz

On June 22, 2011, the parties accepted a mediator’s proposal in the Diaz case which involves settling all the claims made in the first amended complaint for the period of October 1, 2002 to the date on which the Court grants preliminary approval of the settlement. The preliminary approval of the Court is expected to be received in the first quarter of 2012. Under the proposed settlement, the maximum amount which could be paid to claimants is \$ 4.7 million. The anticipated payment under the terms of the mediator’s proposal is approximately \$2.9 million. The Company has accrued \$2.9 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

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Khadera and Simpson

The Khadera case is a collective action and involves allegations relating to unpaid overtime and meal and rest claims. It is an opt-in class under the Fair Labor Standards Act and 343 plaintiffs are in the class. On December 1, 2011, the Court denied the Company's motion for decertification, so the case will proceed to trial as a collective action. Class certification was granted only with respect to certain overtime claims under federal law. Trial is currently set for March 12, 2012. The Company is also a defendant in the Simpson case which involves allegations relating to unpaid overtime, off-the-clock work, and failure to provide meal and rest periods under Washington state law. The plaintiffs' motion for class certification in Simpson is due January 9, 2012, and the trial date is currently scheduled for September 10, 2012.

Villacres

On January 15, 2009, a federal court judge denied with prejudice class certification status in the Villacres case. That case and the companion state court case filed April 3, 2008, in Los Angeles Superior Court were both subsequently dismissed with prejudice on summary judgment. On June 17, 2010, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the district court, which had summarily dismissed with prejudice the Villacres case. The state court companion case, filed April 3, 2008 in Los Angeles Superior Court, has also been dismissed with prejudice by the judge of the Los Angeles Superior Court. On October 22, 2010, the State Appellate Court affirmed the decision of the judge of the Los Angeles Superior Court. The plaintiffs filed a petition for review with the California Supreme Court. On February 16, 2011, the California Supreme Court denied the petition for review. The decision of the United States Court of Appeal for the Ninth Circuit and the California Supreme Court has concluded the federal and state cases, respectively.

Environmental Matter

A proceeding has been commenced by the State of Texas against a subsidiary of the Company alleging that the subsidiary discharged industrial waste in violation of applicable law. Under applicable law, the maximum fine related to the alleged violation is \$0.3 million. It is reasonably possible that the Company will experience a loss related to this matter, which estimate is included in the total potential exposure described above.

Other

During October 2011, the Company began an internal investigation into matters relating to compliance with the U.S. Foreign Corrupt Practices Act and the Company's internal policies in connection with services provided by a foreign entity affiliated with a Linc joint venture partner. Such services commenced prior to the Company's acquisition of Linc. As a result of the investigation, the Company has caused Linc to terminate its association with the arrangement. In December 2011, the Company contacted the U.S. Department of Justice and the Securities and Exchange Commission to voluntarily disclose the results of its internal investigation to date. The Company cannot reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, the Company does not believe that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flows.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**Market Information and Dividends**

The Company's common stock is listed on the New York Stock Exchange (NYSE: ABM). The following table sets forth the high and low intra-day prices of the Company's common stock on the New York Stock Exchange and quarterly cash dividends declared on shares of common stock for the periods indicated:

| | Fiscal Quarter | | | | Year |
|------------------------------|----------------|----------|----------|----------|----------|
| | First | Second | Third | Fourth | |
| Fiscal Year 2011 | | | | | |
| Price range of common stock: | | | | | |
| High | \$ 27.00 | \$ 27.14 | \$ 24.53 | \$ 22.78 | \$ 27.14 |
| Low | \$ 21.50 | \$ 22.80 | \$ 21.74 | \$ 17.29 | \$ 17.29 |
| Dividends declared per share | \$ 0.140 | \$ 0.140 | \$ 0.140 | \$ 0.140 | \$ 0.560 |
| Fiscal Year 2010 | | | | | |
| Price range of common stock: | | | | | |
| High | \$ 21.65 | \$ 22.24 | \$ 23.00 | \$ 22.94 | \$ 23.00 |
| Low | \$ 17.94 | \$ 18.96 | \$ 19.83 | \$ 18.56 | \$ 17.94 |
| Dividends declared per share | \$ 0.135 | \$ 0.135 | \$ 0.135 | \$ 0.135 | \$ 0.540 |

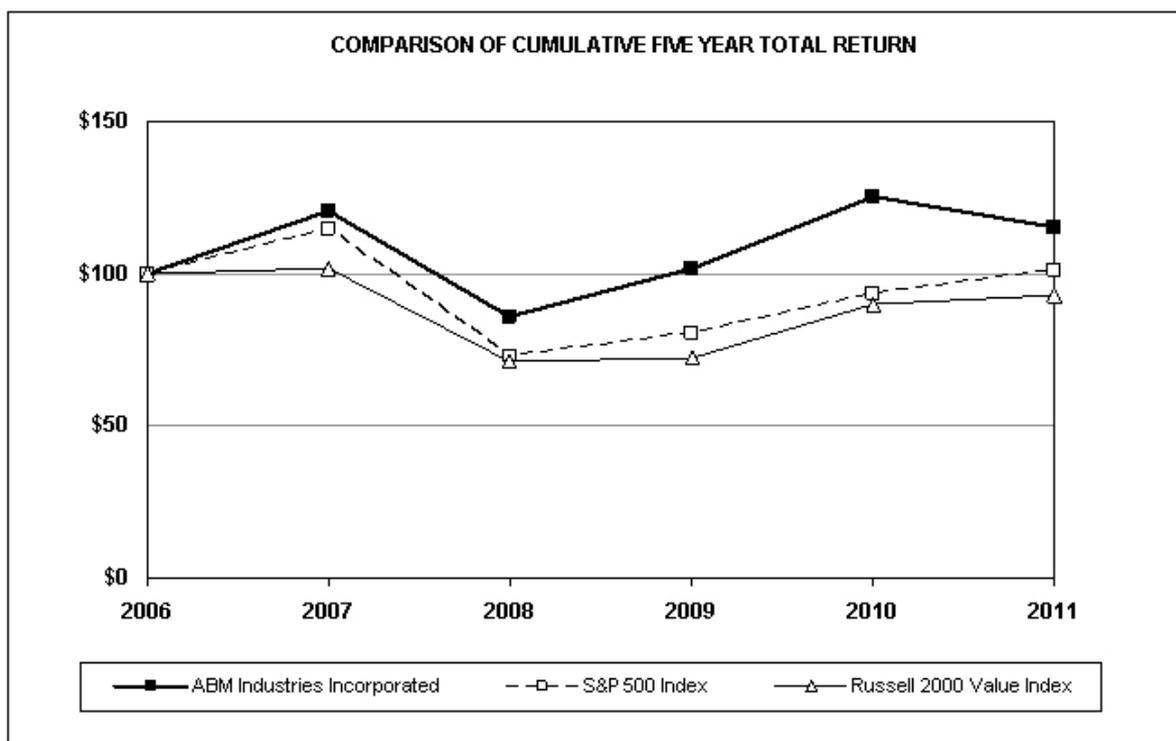
To our knowledge, there are no current factors that are likely to materially limit the Company's ability to pay comparable dividends for the foreseeable future.

Stockholders

At December 9, 2011, there were 3,701 registered holders of the Company's common stock.

Performance Graph

The following graph compares a \$100 investment in the Company's stock on October 31, 2006 with a \$100 investment in each of the Standard & Poor's 500 Index ("S&P 500 Index") and the Russell 2000 Value Index, also made on October 31, 2006. The graph portrays total return, 2006–2011, assuming reinvestment of dividends. The comparisons in the following graph are based on historical data and are not indicative of, or intended to forecast, the possible future performance of the Company's common stock. This graph shows returns based on fiscal years ended October 31.



| Company / Index | INDEXED RETURNS Years Ending | | | | | |
|------------------------------------|---------------------------------|--------|-------|--------|--------|--------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| ABM Industries Incorporated | 100 | 120.67 | 85.88 | 101.80 | 125.40 | 115.20 |
| S&P 500 Index | 100 | 114.56 | 73.21 | 80.38 | 93.66 | 101.24 |
| Russell 2000 Value Index | 100 | 102.05 | 70.88 | 72.27 | 89.93 | 93.11 |

This performance graph shall not be deemed "soliciting material," be "filed" with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the Company's consolidated financial statements as of and for each of the five years ended October 31, 2011. This information should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data." As a result of the sale of substantially all of the assets of the Lighting segment on October 31, 2008, the financial results of this segment have been classified as discontinued operations in the following selected financial data and in the Company's accompanying consolidated financial statements and notes for all periods presented. Additionally, acquisitions made in recent years (most significantly, the Company's acquisition of OneSource on November 14, 2007 and Linc on December 1, 2010) have impacted comparability among the periods presented.

| Years ended October 31, (in thousands, except per share data) | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| OPERATIONS | | | | | |
| Revenues (1) | \$ 4,246,842 | \$ 3,495,747 | \$ 3,481,823 | \$ 3,623,590 | \$ 2,706,105 |
| Expenses | | | | | |
| Operating (2) | 3,781,264 | 3,134,018 | 3,114,699 | 3,224,696 | 2,429,694 |
| Selling, general and administrative (3) | 324,762 | 241,526 | 263,633 | 287,650 | 193,658 |
| Amortization of intangible assets (4) | 23,248 | 11,364 | 11,384 | 11,735 | 5,565 |
| Total expenses | <u>4,129,274</u> | <u>3,386,908</u> | <u>3,389,716</u> | <u>3,524,081</u> | <u>2,628,917</u> |
| Operating profit | 117,568 | 108,839 | 92,107 | 99,509 | 77,188 |
| Other-than-temporary impairment losses on auction rate security (5): | | | | | |
| Gross impairment losses | — | — | (3,695) | — | — |
| Impairments recognized in other comprehensive income | — | (127) | 2,129 | — | — |
| Income from unconsolidated affiliates, net (6) | 3,915 | — | — | — | — |
| Interest expense | <u>(15,805)</u> | <u>(4,639)</u> | <u>(5,881)</u> | <u>(15,193)</u> | <u>(453)</u> |
| Income from continuing operations before income taxes | 105,678 | 104,073 | 84,660 | 84,316 | 76,735 |
| Provision for income taxes | <u>(36,980)</u> | <u>(40,203)</u> | <u>(29,170)</u> | <u>(31,585)</u> | <u>(26,088)</u> |
| Income from continuing operations | 68,698 | 63,870 | 55,490 | 52,731 | 50,647 |
| Discontinued Operations | | | | | |
| (Loss) income from discontinued operations, net of taxes | (194) | 251 | (1,197) | (3,776) | 1,793 |
| Loss on sale of discontinued operations, net of taxes | — | — | — | (3,521) | — |
| (Loss) income from discontinued operations, net of taxes | <u>(194)</u> | <u>251</u> | <u>(1,197)</u> | <u>(7,297)</u> | <u>1,793</u> |
| Net income | <u>\$ 68,504</u> | <u>\$ 64,121</u> | <u>\$ 54,293</u> | <u>\$ 45,434</u> | <u>\$ 52,440</u> |
| PER SHARE DATA | | | | | |
| Net income per common share—Basic | | | | | |
| Income from continuing operations | \$ 1.29 | \$ 1.23 | \$ 1.08 | \$ 1.04 | \$ 1.02 |
| (Loss) income from discontinued operations | — | — | (0.02) | (0.14) | 0.04 |
| Net Income | <u>1.29</u> | <u>1.23</u> | <u>1.06</u> | <u>0.90</u> | <u>1.06</u> |
| Net income per common share—Diluted | | | | | |
| Income from continuing operations | 1.27 | 1.21 | 1.07 | 1.03 | 1.00 |
| (Loss) income from discontinued operations | — | — | (0.02) | (0.15) | 0.04 |
| Net Income | <u>\$ 1.27</u> | <u>\$ 1.21</u> | <u>\$ 1.05</u> | <u>\$ 0.88</u> | <u>\$ 1.04</u> |
| Weighted-average common and common equivalent shares outstanding | | | | | |
| Basic | 53,121 | 52,117 | 51,373 | 50,519 | 49,496 |
| Diluted | 54,103 | 52,908 | 51,845 | 51,386 | 50,629 |
| Dividends declared per common share | \$ 0.56 | \$ 0.54 | \$ 0.52 | \$ 0.50 | \$ 0.48 |

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BALANCE SHEET DATA

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Total assets | \$ 1,879,598 | \$ 1,548,670 | \$ 1,521,153 | \$ 1,575,944 | \$ 1,132,198 |
| Trade accounts receivable—net | 552,098 | 450,513 | 445,241 | 473,263 | 349,195 |
| Insurance deposits (7) | 35,974 | 36,164 | 42,500 | 42,506 | — |
| Goodwill (8) | 750,872 | 593,983 | 547,237 | 535,772 | 234,177 |
| Other intangibles—net (9) | 128,994 | 65,774 | 60,199 | 62,179 | 24,573 |
| Investments in auction rate securities | 15,670 | 20,171 | 19,531 | 19,031 | 25,000 |
| Investments in unconsolidated affiliates, net (6) | 14,423 | — | — | — | — |
| Line of credit (10) | 300,000 | 140,500 | 172,500 | 230,000 | — |
| Insurance claims | 341,401 | 348,314 | 346,327 | 346,157 | 261,043 |
| Insurance recoverables | \$ 70,610 | \$ 76,098 | \$ 72,117 | \$ 71,617 | \$ 55,900 |

(1) Revenues in 2011 include amounts associated with Linc of approximately \$512.9 million, which was acquired on December 1, 2010. Beginning in 2010, revenues include amounts associated with the acquisitions of Five Star Parking, Network Parking Company Ltd., and System Parking, Inc. (collectively, this asset acquisition is referred to as “L&R”) and Diversco, Inc., which were acquired on October 1, 2010 and June 30, 2010, respectively, totaling \$43.0 million in the year of acquisition. Beginning in 2008, revenues include additional amounts associated with the acquisition of OneSource Services, Inc. (“OneSource”) and Healthcare Parking Services America, which were acquired on November 14, 2007 and April 2, 2007, respectively, totaling \$836.6 million in the year of acquisition. Revenues in 2007 included a \$5.0 million gain from the termination of off-airport parking garage leases.

(2) Operating expenses in 2011 and 2008 includes \$417.7 million and \$728.7 million of expenses associated with Linc and OneSource, respectively.

Operating expenses in 2011 includes a \$3.7 million benefit related to a refund of 2011 and 2010 health insurance premiums paid to one of the Company’s health insurance providers.

Operating expenses in 2011, 2010 and 2009 include adjustments to increase self-insurance reserves related to prior year claims by \$2.1 million, \$1.2 million and \$9.4 million, respectively, while 2008 and 2007 includes adjustments to reduce self-insurance reserves related to prior years by \$22.8 million and \$1.8 million, respectively. Additionally, operating expenses for 2009 includes a net benefit of a \$9.6 million legal settlement received from the Company’s former third-party insurance administrator.

(3) Selling, general and administrative expenses in 2011 includes \$72.7 million of expenses associated with Linc, a net \$2.7 million benefit for a settlement received related to a dispute in connection with the L&R acquisition, and a \$1.5 million write-off of deferred costs related to the Company’s Master Professional Services Agreement between the Company and International Business Machines Corporation (“IBM”) (see the “Commitments” sub-section of the “Liquidity and Capital Resources” section below).

Selling, general and administrative expenses in 2010, 2009, 2008 and 2007 included \$5.7 million, \$21.8 million, \$24.3 million and \$4.6 million of costs, respectively, associated with (a) the implementation of a new payroll and human resources information system, and the upgrade of the Company’s accounting systems; (b) the transition of certain back office functions to the Company’s Shared Services Center in Houston, Texas; (c) the move of the Company’s corporate headquarters to New York; and (d) integration costs associated with the acquisition of OneSource in 2008.

Selling, general and administrative expense in 2010 included a \$5.8 million litigation settlement and a \$3.4 million reversal of previously recorded share-based compensation expense, due to a change in the probability of achieving the financial performance targets established in connection with certain performance share grants.

Selling, general and administrative expense in 2008 includes \$63.4 million and \$6.3 million of expenses associated with OneSource and a write-off of deferred costs related to the Company’s Master Professional Services Agreement between the Company and IBM, respectively.

(4) Amortization expense in 2011 and 2008 includes \$11.3 million and \$5.3 million, respectively, of amortization expense associated with the acquired intangible assets of Linc and OneSource, respectively.

(5) The Company determined that one of its auction rate securities was other-than-temporarily impaired during 2009. The other-than-temporary impairment approximated \$3.7 million, of which \$1.6 million was recognized in earnings as a credit loss, with a corresponding reduction in the cost basis of that security during 2009. (See Note 5 of the Notes to the Consolidated Financial Statements contained in Item 8, “Financial Statements and Supplementary Data.”)

(6) Represents income associated with and investments in non-controlling interests of certain unconsolidated affiliated entities in connection with the Linc acquisition.

(7) In connection with the OneSource acquisition in 2008, the Company acquired insurance deposits that represent amounts collateralizing OneSource’s self-insurance claims.

(8) Goodwill in 2011 and 2008 increased by \$156.1 million and \$273.8 million, respectively, associated with the acquisitions of Linc and OneSource, respectively.

(9) Other intangibles in 2011 and 2008 increased by \$87.0 million and \$48.7 million, respectively, associated with intangibles acquired with the acquisitions of Linc and OneSource, respectively.

(10) As of October 31, 2011, the Company had outstanding borrowings under its line of credit of \$300.0 million, which is primarily associated with acquisitions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Notes to the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data." All information in the discussion and references to years are based on the Company's fiscal year which ends on October 31, unless otherwise indicated.

Overview

ABM Industries Incorporated ("ABM"), through its subsidiaries (collectively, the "Company"), is a leading provider of end-to-end integrated facilities management services to thousands of commercial, governmental, industrial, institutional, residential, and retail client facilities in hundreds of cities, primarily throughout the United States. The Company's business is impacted by, among other things, commercial and government office building occupancy and rental rates, government spending for outsourced services, industrial activity, air travel levels, tourism, and transportation needs at colleges, universities, and health care service facilities.

Acquisition of Linc

On December 1, 2010, the Company acquired Linc pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), by and among ABM, Linc, GI Manager LP, as the Members Representative, and Lightning Services, LLC, a wholly-owned subsidiary of ABM ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Linc, and Linc continued as the surviving corporation and as a wholly owned subsidiary of ABM. The aggregate purchase price for all of the outstanding limited liability company interests of Linc was \$298.7 million in cash. In connection with the acquisition, the Company incurred \$5.2 million in direct acquisition costs which were expensed as incurred and classified as selling, general and administrative expenses. Linc provides end-to-end integrated facilities management services, military base operation services, and translation and other services in support of U.S. military operations. Linc's clients include state and federal governments, commercial entities and residential customers, throughout the United States and in select international locations. Some of these services are performed through franchisees and other affiliated entities. The operations of Linc are included in the Engineering segment as of the acquisition date.

Revenues and operating profit associated with Linc and included in the Company's 2011 consolidated statement of income were \$512.9 million and \$11.1 million (excluding transaction costs and the interest expense associated with the borrowings under the Company's line of credit used to finance the acquisition, which were recorded at the Corporate segment), respectively. A significant portion of Linc's revenues are generated from contracts with the U.S. Government. In early 2010, the current administration submitted its budget for the fiscal year ending September 30, 2011 ("2011 Budget"). The 2011 Budget was not approved until mid-April 2011, delaying the award of most new contracts. The Company is continually assessing the impact that the delayed 2011 Budget, as well as the potential impact of the proposed 2012 budget ("2012 Budget"), will have on its governmental business. While the volume of bid activity and request for proposals for future awards remains active, Linc's governmental business has experienced and will continue to experience delays in new contract awards and in the start dates of currently awarded contracts, shifting the start of certain projects from 2011 to 2012.

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Summary of Key Financial Performance Indicators

Total revenues increased \$751.1 million in 2011, as compared to 2010, which was primarily related to revenues associated with the Linc, Diversco and L&R acquisitions.

Operating profit increased \$8.7 million in 2011, as compared to 2010. The significant components of the operating profit increase were: (1) operating profit associated with the Linc, Diversco, and L&R acquisitions, (2) a decrease in charges for litigation contingencies, (3) a benefit related to a refund of health insurance premiums paid, and (4) a settlement received related to a dispute in connection with the L&R acquisition. The positive impact of the above items was partially offset by increases in (1) Corporate general and administrative expenses (primarily related to acquisition transaction costs, share-based compensation expense, professional fees and information technology costs), (2) labor expenses in the Janitorial segment (resulting from one additional working day in 2011), and (3) payroll related expenses associated with higher state unemployment insurance rates that went into effect on January 1, 2011. See the "Results of Operations" section below for additional information.

During the second half of 2011, the U.S. economy was weaker than originally anticipated at the beginning of the year, causing the Company's clients to take additional cost containment measures. These cost containment measures have and are anticipated to continue to result in price compression, particularly in the Janitorial business. Further, the delay in passing federal appropriations had an adverse impact on the timing of awarding contracts to the Company's government business, which is expected to shift the start of certain projects from 2011 to 2012. Taken together, along with higher unemployment insurance expense and fuel and related costs, the Company's operating results were negatively impacted in 2011.

In addition to revenues and operating profit, the Company's management views operating cash flows as a good indicator of financial performance, as strong operating cash flows provide opportunities for growth both organically and through acquisitions. Operating cash flows primarily depend on: revenue levels; the quality and timing of collections of accounts receivable and payments to suppliers and other vendors; the timing and amount of income tax payments; and the timing and amount of payments on self-insured claims. Operating cash flows are also impacted by receivables relating to government contracts, as these receivables generally have longer collection periods. The Company's net cash provided by continuing operating activities was \$156.8 million, \$140.7 million and \$121.3 million for 2011, 2010 and 2009, respectively.

The Company's largest operating segment is the Janitorial segment, which generated approximately 56.1% of the Company's revenues and approximately 68.2% of the Company's operating profit, excluding the Corporate segment, for 2011.

Strategy and Outlook

The Company believes that achieving desired levels of revenues and profitability in the future will depend upon, among other things, its ability to make successful acquisitions (while maintaining a target leverage ratio), attract and retain clients at desirable profit margins, and keep overall costs low. Additionally, the Company continues to assess the impact that the U.S. Government's 2011 Budget and 2012 Budget, when passed, will have on its governmental business. The Company plans to remain competitive by, among other things, expanding its presence in key vertical markets where it has built technical expertise know-how and client relationships, as well as differentiating services by leveraging investments made in technology and infrastructure. The Company expects to continue to grow organically and through further domestic and international acquisitions in response to the perceived growing client demand for a global integrated facility service provider.

Liquidity and Capital Resources

| (in thousands) | October 31, | | Change |
|---------------------------|-------------|------------|-------------|
| | 2011 | 2010 | |
| Cash and cash equivalents | \$ 26,467 | \$ 39,446 | \$ (12,979) |
| Working capital | \$ 290,561 | \$ 274,905 | \$ 15,656 |

| (in thousands) | Years Ended October 31, | | | 2011 | 2010 |
|---|-------------------------|-------------|-------------|--------------|-------------|
| | 2011 | 2010 | 2009 | Change | Change |
| Net cash provided by operating activities | \$ 159,990 | \$ 149,864 | \$ 140,871 | \$ 10,126 | \$ 8,993 |
| Net cash used in investing activities | \$ (307,412) | \$ (87,860) | \$ (37,467) | \$ (219,552) | \$ (50,393) |
| Net cash provided by (used in) financing activities | \$ 134,443 | \$ (56,711) | \$ (95,992) | \$ 191,154 | \$ 39,281 |

In connection with the acquisition of Linc, on November 30, 2010 the Company terminated its \$450.0 million syndicated line of credit and replaced it with a new \$650.0 million five-year syndicated line of credit pursuant to a Credit Agreement dated November 30, 2010 (the "Facility") with Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer and the lenders party thereto. On June 3, 2011, the Company entered into an amendment to the Facility which increased the permissible leverage ratio for acquisitions occurring on or prior to June 3, 2012. On September 8, 2011, the Company entered into a second amendment to the Facility which reduced the "Applicable Rate" relating to borrowings under the Facility, extended the maturity date of the Facility to September 8, 2016 and revised the definition of "Permitted Acquisition" under the Facility. The Company has the option to increase the aggregate amount it may borrow under the Facility to \$850.0 million at any time prior to its expiration (subject to receipt of commitments for the increased amount from existing and new lenders). As of October 31, 2011, the Company was in compliance with all financial covenants and expects to be in compliance in the foreseeable future.

The Company believes that the cash generated from operations and amounts available under the Facility will be sufficient to fund the Company's operations and cash requirements in the foreseeable future. As of October 31, 2011, the total outstanding amounts under the Company's line of credit in the form of cash borrowings and standby letters of credit were \$300.0 million and \$96.8 million, respectively. As of October 31, 2011, the total available credit under the line of credit was \$253.2 million. The Company's ability to draw down available amounts under the Facility is subject to compliance with certain financial covenants, including covenants relating to a fixed charge coverage ratio, a leverage ratio, and consolidated net worth. In addition, other covenants under the line of credit include limitations on liens, dispositions, fundamental changes, investments, and certain transactions and payments.

Working Capital. Working capital increased by \$15.7 million to \$290.6 million at October 31, 2011 from \$274.9 million at October 31, 2010. Excluding the effects of discontinued operations, working capital increased by \$17.9 million to \$288.6 million at October 31, 2011 from \$270.7 million at October 31, 2010.

Cash Flows from Operating Activities. Net cash provided by operating activities was \$160.0 million, \$149.9 million and \$140.9 million in 2011, 2010 and 2009, respectively.

2011 compared to 2010

The \$10.1 million increase in 2011 compared to 2010 was primarily related to the timing of payments made on vendor invoices, partially offset by the timing of collections received from clients (which includes longer collection periods pertaining to the Company's government business). The cash flows from operations in 2011 were also impacted by higher cash paid for income taxes (net of refunds received) and interest paid on the line of credit, as compared to 2010.

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2010 compared to 2009

The \$9.0 million increase in 2010 compared to 2009 was primarily related to:

- a \$12.6 million increase in the year-over-year change in other assets and long term receivables, primarily related to the reduction of required cash insurance deposits, the decrease of pre-payments for insurance claims reserves and collections received on notes receivables;
- an \$11.5 million net increase in the year-over-year change in income taxes, primarily related to the increase in income taxes payable due to timing of income tax payments and an increase in tax reserves;
- an \$8.4 million increase in income from continuing operations; and
- a \$4.8 million increase in the year-over-year change in accounts payable and accrued liabilities, primarily related to the timing of payments made on vendor invoices;

partially offset by:

- an \$18.0 million decrease in the year-over-year change in trade accounts receivable, primarily related to the timing of collections received from clients and a decrease in revenues from 2008 to 2009; and
- a \$10.5 million decrease in net cash provided by discontinued operating activities. Net cash provided by discontinued operating activities was \$9.1 million in 2010, compared to \$19.6 million in 2009. The cash provided by discontinued operating activities primarily related to cash collections from client contracts transferred in connection with the sale of the Lighting business that contained deferred charges related to services previously performed by the Company prior to the sale.

Cash Flows from Investing Activities. Net cash used in investing activities was \$307.4 million, \$87.9 million and \$37.5 million in 2011, 2010 and 2009, respectively.

2011 compared to 2010

In 2011, the Company paid \$290.3 million for the Linc acquisition, net of cash acquired, and \$0.7 million of additional consideration for achievement of certain financial performance targets in connection with prior years' acquisitions.

In 2010, the Company paid \$62.3 million for the L&R and Diversco acquisitions, net of cash acquired, and \$3.3 million of additional consideration for the achievement of certain financial performance targets in connection with prior years' acquisitions.

2010 compared to 2009

In 2010, the Company paid \$62.3 million for the L&R and Diversco acquisitions, net of cash acquired, and \$3.3 million of additional consideration for the achievement of certain financial performance targets in connection with prior years' acquisitions.

In 2009, the Company paid \$15.1 million for certain assets of Control Building Services, Inc., Control Engineering Services, Inc., and TTF, Inc. ("Control") and \$6.0 million of additional consideration for the achievement of certain financial performance targets in connection with prior years' acquisitions (excluding \$1.2 million related to contingent amounts settled in stock issuances).

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Cash Flows from Financing Activities. Net cash provided by financing activities was \$134.4 million in 2011, compared to net cash used of \$56.7 million and \$96.0 million in 2010 and 2009, respectively.

2011 compared to 2010

The \$191.2 million increase in cash flows from financing activities in 2011 compared to 2010 was primarily related to \$306.8 million of cash borrowed to finance the Linc acquisition, which was partially offset by repayments made on the Company's line of credit during 2011.

2010 compared to 2009

The \$39.3 million decrease in net cash used in financing activities in 2010 compared to 2009 was primarily related to \$25.5 million of net repayments on borrowings from the line of credit (which included the financing of the L&R and Diversco acquisitions for \$64.9 million, excluding acquisition costs).

Commitments

As of October 31, 2011, the Company's future contractual payments, commercial commitments and other long-term liabilities were as follows:

| (in thousands) Contractual Obligations | Payments Due By Period | | | | |
|--|------------------------|---------------------|-------------------|------------------|------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Operating Leases | \$ 268,229 | \$ 70,662 | \$ 105,443 | \$ 48,467 | \$ 43,657 |
| Information Technology Service Agreements | 11,612 | 6,210 | 5,402 | — | — |
| | <u>\$ 279,841</u> | <u>\$ 76,872</u> | <u>\$ 110,845</u> | <u>\$ 48,467</u> | <u>\$ 43,657</u> |

| (in thousands) Other Long-Term Liabilities | Payments Due By Period | | | | |
|--|------------------------|---------------------|----------------|----------------|------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Unfunded Employee Benefit Plans | \$ 37,405 | \$ 2,527 | \$ 5,726 | \$ 4,948 | \$ 24,204 |

| (in thousands) Commercial Commitments | Amounts of Commitment Expiration Per Period | | | | |
|---|---|---------------------|-------------------|-------------------|------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | After 5 years |
| Borrowings Under Line of Credit | \$ 300,000 | \$ — | \$ — | \$ 300,000 | \$ — |
| Standby Letters of Credit | 96,776 | — | — | 96,776 | — |
| Surety Bonds | 231,529 | 183,119 | 48,400 | 10 | — |
| | <u>\$ 628,305</u> | <u>\$ 183,119</u> | <u>\$ 48,400</u> | <u>\$ 396,786</u> | <u>\$ —</u> |
| Total Commitments | <u>\$ 945,551</u> | <u>\$ 262,518</u> | <u>\$ 164,971</u> | <u>\$ 450,201</u> | <u>\$ 67,861</u> |

IBM Master Professional Services Agreement

On October 11, 2011, the Company entered into a Termination Agreement (the "Termination Agreement") with International Business Machines Corporation ("IBM") pursuant to which the parties agreed to terminate services currently being provided by IBM to the Company pursuant to a Master Professional Services Agreement dated October 1, 2006, as such agreement has been amended (the "Master Professional Services Agreement"). Under the Master Professional Services Agreement, the Company and IBM have entered into a statement of work relating to the design and build by IBM of the Company's new primary data center in Alpharetta, Georgia and a statement of work relating to the relocation by IBM of certain Company IT environments now supported by IBM to the new data center. The Termination Agreement provides that services under the Master Professional Services Agreement shall terminate effective as of the successful completion of the design and build of the Company's new primary data center and the relocation of the data centers currently supported by IBM to that data center, both of which are expected to be completed by February 29, 2012.

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The Termination Agreement provides that the Master Professional Services Agreement is being terminated without penalty. During the fourth quarter of 2011, the Company wrote-off \$1.5 million of deferred costs associated with the Master Professional Services Agreement.

Operating Leases

The amounts set forth under operating leases represent the Company's contractual obligations to make future payments under non-cancelable operating lease agreements for various facilities, vehicles and other equipment.

Information Technology Service Agreements

The amounts set forth under information technology service agreements represent the Company's contractual obligations to make future payments for outsourced services and licensing costs pursuant to its information technology agreements.

Unfunded Employee Benefit Plans

The Company has defined benefit, post-retirement and deferred compensation plans. All defined benefit and post-retirement plans have been amended to preclude new participants. These plans are described in further detail in Note 10 of the Notes to the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data." As of October 31, 2011, the aggregate employee benefit plan liability, including the Company's deferred compensation plans, was \$28.2 million. Future benefits expected to be paid over the next 20 years are approximately \$37.4 million.

The defined benefit and post-retirement plans liabilities as of October 31, 2011 assume future annual compensation increases of 3.50%, a rate of return on plan assets of 8.0% (when applicable), and discount rates in the range of 4.04% to 4.56%. The discount rates were determined using the individual cash flows of each plan. In determining the long-term rate of return for a plan, the Company considers the nature of the plan's investments, historical rates of return, and an expectation for the plan's investment strategies. The Company believes changes in assumptions will not have a material impact on the Company's financial position and operating performance. The Company expects to make payments required for unfunded liabilities through cash flows from operating activities when such amounts become due in accordance with the plans.

The employee benefit plan obligation of \$28.2 million as of October 31, 2011 does not include the union-sponsored multiemployer defined benefit plans. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. Contributions made to these plans were \$63.2 million, \$58.2 million and \$47.9 million in 2011, 2010 and 2009, respectively.

Borrowings Under Line of Credit

In connection with the acquisition of Linc, on November 30, 2010 the Company terminated its \$450.0 million syndicated line of credit and replaced it with a new \$650.0 million five-year syndicated line of credit, which the Company has the option to increase to \$850.0 million at any time prior to the expiration (subject to receipt of commitments for the increased amount from existing and new lenders). On September 8, 2011, the Company entered into an amendment which extends the maturity date to September 8, 2016. As of October 31, 2011, the total outstanding amount under the Company's line of credit in the form of cash borrowings was \$300.0 million. The commitment discussed above does not include applicable interest payments based on the terms of the line of credit. (See Note 9 of the Notes to the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data.")

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Standby Letters of Credit

The Company had \$96.8 million of standby letters of credit as of October 31, 2011, primarily related to its general liability, automobile, property damage, and workers' compensation self-insurance programs.

Surety Bonds

The Company uses surety bonds, principally performance and payment bonds, to guarantee performance under various client 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 October 31, 2011, outstanding surety bonds totaled \$231.5 million. The Company does not believe it will be required to draw upon these bonds.

Unrecognized Tax Benefits

As of October 31, 2011, the Company had \$96.0 million of unrecognized tax benefits. This represents the tax benefits associated with various tax positions taken on tax returns that have not been recognized in our financial statements due to uncertainty regarding their resolution. The Company estimates that a decrease in unrecognized tax benefits of up to approximately \$4.3 million is reasonably possible over the next 12 months. However, the resolution or settlement of these tax positions with the taxing authorities is subject to significant uncertainty, and therefore we are unable to make a reliable estimate of the amount or timing of cash that may be required to settle these matters. In addition, certain of these matters may not require cash settlements due to the exercise of credit and net operating loss carryforwards as well as other offsets, including the indirect benefit from other taxing jurisdictions that may be available. (See Note 13 of the Notes to the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data.")

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. In addition, from time to time the Company is involved in environmental matters at certain of its locations or in connection with its operations. Historically, the cost of complying with environmental laws or resolving environmental issues relating to United States locations or operations has not had a material adverse effect on the Company's financial position, results of operations or cash flows. The Company does not believe that the resolution of known matters at this time will be material.

Effect of Inflation

The rates of inflation experienced in recent years have not had a material impact on the financial statements of the Company. The Company attempts to recover increased costs by increasing prices for its services, to the extent permitted by contracts and competition.

Results of Operations
COMPARISON OF 2011 TO 2010

| (\$ in thousands) | Years ended October 31, | | Increase (Decrease) | Increase (Decrease) |
|--|-------------------------|------------------|------------------------|------------------------|
| | 2011 | 2010 | \$ | % |
| Revenues | \$ 4,246,842 | \$ 3,495,747 | \$ 751,095 | 21.5% |
| Expenses | | | | |
| Operating | 3,781,264 | 3,134,018 | 647,246 | 20.7% |
| Selling, general and administrative | 324,762 | 241,526 | 83,236 | 34.5% |
| Amortization of intangible assets | 23,248 | 11,364 | 11,884 | 104.6% |
| Total expense | 4,129,274 | 3,386,908 | 742,366 | 21.9% |
| Operating profit | 117,568 | 108,839 | 8,729 | 8.0% |
| Other-than-temporary impairment losses on auction rate security: | | | | |
| Impairment recognized in other comprehensive income | — | (127) | 127 | NM* |
| Income from unconsolidated affiliates, net | 3,915 | — | 3,915 | NM* |
| Interest expense | (15,805) | (4,639) | 11,166 | 240.7% |
| Income from continuing operations before income taxes | 105,678 | 104,073 | 1,605 | 1.5% |
| Provision for income taxes | (36,980) | (40,203) | (3,223) | (8.0)% |
| Income from continuing operations | 68,698 | 63,870 | 4,828 | 7.6% |
| Discontinued Operations | | | | |
| (Loss) income from discontinued operations, net of taxes | (194) | 251 | (445) | NM* |
| Net income | <u>\$ 68,504</u> | <u>\$ 64,121</u> | <u>\$ 4,383</u> | <u>6.8%</u> |

* Not meaningful

Net Income. Net income in 2011 increased by \$4.4 million, or 6.8%, to \$68.5 million (\$1.27 per diluted share) from \$64.1 million (\$1.21 per diluted share) in 2010. Net income included a loss from discontinued operations of \$0.2 million and income from discontinued operations of \$0.3 million in 2011 and 2010, respectively.

Income from Continuing Operations. Income from continuing operations in 2011 increased by \$4.8 million, or 7.6%, to \$68.7 million (\$1.27 per diluted share) from \$63.9 million (\$1.21 per diluted share) in 2010.

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

- a \$13.1 million increase in operating profit, excluding the Corporate segment, which includes the operating profit associated with the Linc, Diversco, and L&R acquisitions and the negative impact of one additional working day and higher state unemployment insurance rates;
- a \$4.1 million decrease in charges related to litigation contingencies, including associated legal fees;
- \$3.9 million in income from unconsolidated affiliates acquired in connection with the Linc acquisition;
- a \$3.7 million benefit related to a refund of 2011 and 2010 health insurance premiums paid to one of the Company's health insurance providers;
- a \$3.2 million decrease in income taxes, primarily related to a benefit from the re-measurement of certain unrecognized tax benefits; and
- a net \$2.7 million benefit for a settlement received in 2011, related to a dispute in connection with the L&R acquisition;

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partially offset by:

- an \$11.2 million increase in interest expense due to an increase in average borrowings and average interest rates under the \$650.0 million line of credit as a result of financing the Linc acquisition;
- a \$5.1 million increase in share-based compensation expense, primarily related to: (1) a \$3.4 million benefit received in 2010 to reverse previously recorded share-based compensation expense due to the change in our assessment of the probability of achieving the financial performance targets established in connection with certain performance share grants; and (2) additional expense related to grants made to Linc employees during 2011;
- a \$4.6 million increase in transaction costs primarily related to the Linc acquisition; and
- a \$3.3 million increase in general and administrative expenses in 2011, primarily related to professional fees and information technology costs (including the write-off of deferred costs associated with the IBM Master Professional Services Agreement).

Revenues. Revenues increased \$751.1 million, or 21.5%, in 2011, as compared to 2010. The Company's growth in revenues was primarily related to revenues associated with the Linc, Diversco and L&R acquisitions, which together accounted for \$724.7 million of the increase.

Operating Expenses. As a percentage of revenues, gross margin was 11.0% and 10.3% in 2011 and 2010, respectively. The increase in gross margin was primarily related to higher margins experienced at Linc, partially offset by an increase in labor and payroll related expenses as a result of one additional working day in 2011 and increases in payroll related expenses associated with higher state unemployment insurance rates that went into effect on January 1, 2011.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$83.2 million, or 34.5%, in 2011 compared to 2010.

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

- \$76.0 million of expenses attributable to the Linc, Diversco, and L&R acquisitions;
- a \$5.1 million increase in share-based compensation expense, primarily related to: (1) a \$3.4 million benefit received in 2010 to reverse previously recorded share-based compensation expense due to the change in our assessment of the probability of achieving the financial performance targets established in connection with certain performance share grants; and (2) additional expense related to grants made to Linc employees during 2011;
- a \$4.6 million increase in transaction costs primarily related to the Linc acquisition; and
- a \$3.3 million increase in general and administrative expenses in 2011, primarily related to professional fees and information technology costs (including the write-off of deferred costs associated with the IBM Master Professional Services Agreement);

partially offset by:

- a \$4.1 million decrease in charges related to litigation contingencies, including associated legal fees; and
- a net \$2.7 million benefit for a settlement received in 2011, related to a dispute in connection with the L&R acquisition.

Amortization of Intangible Assets. Amortization of intangible assets in 2011 increased \$11.9 million, or 104.6%, to \$23.3 million from \$11.4 million in 2010. The increase was primarily related to amortization of intangible assets acquired with the Linc acquisition.

Interest Expense. Interest expense increased \$11.2 million, or 240.7%, in 2011 compared to 2010. The increase was primarily related to an increase in average borrowings and average interest rates under the line of credit as a result of financing the Linc acquisition. The average outstanding balances under the Company's line of credit were \$369.1 million and \$156.7 million in 2011 and 2010, respectively.

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Provision for Income Taxes. The effective tax rate on income from continuing operations for 2011 and 2010 was 35.0% and 38.6%, respectively. The tax provision for 2011 includes a tax benefit of \$4.7 million related to a re-measurement of certain unrecognized tax benefits, partially offset by other discrete tax costs of \$1.9 million, primarily related to the true-up of prior year tax balances including a reduction in anticipated employment based tax credits.

Segment Information

The Company has determined Janitorial, Engineering, Parking and Security to be its reporting segments in accordance with Accounting Standards Codification™ (“ASC”) Topic 280 “Segment Reporting” (“ASC 280”). In connection with the discontinued operation of the Lighting segment, the operating results of Lighting are classified as discontinued operations and, as such, are not reflected in the segment tables below.

Most Corporate expenses are not allocated. Such expenses include current actuarial developments of self-insurance reserves related to claims incurred in prior years, certain legal costs and settlements, interest expense associated with the Company’s line of credit, certain information technology costs, share-based compensation costs, direct acquisition costs, severance costs associated with acquisitions, and certain chief executive officer and other finance and human resource departmental costs.

Segment amounts for 2010 have been retrospectively adjusted to reflect a change in the management reporting responsibility for a subsidiary, effective November 1, 2010, that moved the operations of that subsidiary from the Janitorial segment to the Engineering segment. The impact of the organizational change on the reported results for 2010 was a reclassification of \$31.8 million of revenues and \$1.0 million of operating profit from the Janitorial segment to the Engineering segment. The revenues and operating profits for the Company’s reportable segments (Janitorial, Engineering, Parking, and Security) were as follows:

| (\$ in thousands) | Years ended October 31, | | Increase (Decrease) \$ | Increase (Decrease) % |
|--|-------------------------|---------------------|------------------------------|-----------------------------|
| | 2011 | 2010 | | |
| Revenues | | | | |
| Janitorial | \$ 2,380,195 | \$ 2,306,098 | \$ 74,097 | 3.2% |
| Engineering | 899,381 | 382,629 | 516,752 | 135.1% |
| Parking | 615,679 | 469,398 | 146,281 | 31.2% |
| Security | 350,377 | 336,249 | 14,128 | 4.2% |
| Corporate | 1,210 | 1,373 | (163) | (11.9)% |
| | <u>\$ 4,246,842</u> | <u>\$ 3,495,747</u> | <u>\$ 751,095</u> | <u>21.5%</u> |
| Operating profit | | | | |
| Janitorial | \$ 140,621 | \$ 140,007 | \$ 614 | 0.4% |
| Engineering | 33,384 | 22,931 | 10,453 | 45.6% |
| Parking | 24,257 | 22,738 | 1,519 | 6.7% |
| Security | 7,968 | 7,487 | 481 | 6.4% |
| Corporate | (88,662) | (84,324) | (4,338) | (5.1)% |
| Operating profit | 117,568 | 108,839 | 8,729 | 8.0% |
| Other-than-temporary impairment losses on auction rate security: | | | | |
| Impairment recognized in other comprehensive income | — | (127) | 127 | NM* |
| Income from unconsolidated affiliates, net | 3,915 | — | 3,915 | NM* |
| Interest expense | (15,805) | (4,639) | 11,166 | 240.7% |
| Income from continuing operations before income taxes | <u>\$ 105,678</u> | <u>\$ 104,073</u> | <u>\$ 1,605</u> | <u>1.5%</u> |

* Not meaningful

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Janitorial. Janitorial revenues increased \$74.1 million, or 3.2%, during 2011 compared to 2010. The increase was primarily related to revenues associated with the acquisition of Diversco, which was acquired on June 30, 2010, and additional revenues from new business. The period-over-period increase in revenues attributable to Diversco in 2011 was \$49.8 million.

Operating profit increased \$0.6 million, or 0.4%, during 2011 compared to 2010. The increase was primarily related to the increase in revenue, partially offset by higher labor expenses as a result of one additional working day in 2011, increases in payroll related expenses associated with higher state unemployment insurance rates that went into effect on January 1, 2011 and increases in fuel costs.

Engineering. Engineering revenues increased \$516.8 million, or 135.1%, during 2011 compared to 2010. The increase was primarily related to revenues associated with the acquisition of Linc, which was acquired on December 1, 2010. The revenues attributable to Linc in 2011 were \$512.9 million.

Operating profit increased by \$10.5 million, or 45.6%, in 2011 compared to 2010. The increase was primarily related to the operating profit associated with Linc, which was \$11.1 million (excluding transaction costs and the interest expense associated with the borrowings under the Company's line of credit used to finance the acquisition, which were recorded at the Corporate segment) in 2011.

Parking. Parking revenues increased \$146.3 million, or 31.2%, during 2011 compared to 2010. The increase was related to revenues associated with the acquisition of L&R, which was acquired on October 1, 2010, partially offset by lost business as a result of the weaker U.S. economy. The period-over-period increase in revenues attributable to L&R in 2011 was \$154.5 million.

Operating profit increased \$1.5 million, or 6.7%, during 2011 compared to 2010. The increase was primarily related to the increase in revenue, partially offset by an increase in payroll related expenses associated with higher state unemployment insurance rates that went into effect on January 1, 2011 and an increase in legal costs related to a contract settlement.

Security. Security revenues increased \$14.1 million, or 4.2%, during 2011 compared to 2010. The increase was primarily related to revenues associated with the acquisition of Diversco, which was acquired on June 30, 2010, and additional revenues from new business. The period-over-period increase in revenues attributable to Diversco in 2011 was \$7.4 million.

Operating profit increased \$0.5 million, or 6.4%, during 2011 compared to 2010. The increase was primarily related to a reduction in general and administrative expenses, predominantly payroll and payroll related expenses and legal fees.

Corporate. Corporate expense increased \$4.3 million, or 5.1%, in 2011 compared to 2010.

The increase in Corporate expense was primarily related to:

- a \$5.1 million increase in share-based compensation expense, primarily related to: (1) a \$3.4 million benefit received in 2010 to reverse previously recorded share-based compensation expense due to the change in our assessment of the probability of achieving the financial performance targets established in connection with certain performance share grants; and (2) additional expense related to grants made to Linc employees during 2011;
- a \$4.6 million increase in transaction costs primarily related to the Linc acquisition; and
- a \$3.3 million increase in general and administrative expenses in 2011, primarily related to professional fees and information technology costs (including the write-off of deferred costs associated with the IBM Master Professional Services Agreement);

partially offset by:

- a \$4.1 million decrease in charges related to litigation contingencies, including associated legal fees;

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- a \$3.7 million benefit related to a refund of 2011 and 2010 health insurance premiums paid to one of the Company's health insurance providers; and
- a net \$2.7 million benefit for a settlement received in 2011, related to a dispute in connection with the L&R acquisition.

COMPARISON OF 2010 TO 2009

| (\$ in thousands) | Years ended October 31, | | Increase | Increase |
|--|-------------------------|------------------|-----------------|--------------|
| | 2010 | 2009 | (Decrease) | (Decrease) |
| | | | \$ | % |
| Revenues | \$ 3,495,747 | \$ 3,481,823 | \$ 13,924 | 0.4% |
| Expenses | | | | |
| Operating | 3,134,018 | 3,114,699 | 19,319 | 0.6% |
| Selling, general and administrative | 241,526 | 263,633 | (22,107) | (8.4)% |
| Amortization of intangible assets | 11,364 | 11,384 | (20) | (0.2)% |
| Total expense | 3,386,908 | 3,389,716 | (2,808) | (0.1)% |
| Operating profit | 108,839 | 92,107 | 16,732 | 18.2% |
| Other-than-temporary impairment losses on auction rate security: | | | | |
| Gross impairment losses | — | (3,695) | 3,695 | NM* |
| Impairment recognized in other comprehensive income | (127) | 2,129 | (2,256) | NM* |
| Interest expense | (4,639) | (5,881) | 1,242 | (21.1)% |
| Income from continuing operations before income taxes | 104,073 | 84,660 | 19,413 | 22.9% |
| Provision for income taxes | (40,203) | (29,170) | (11,033) | 37.8% |
| Income from continuing operations | 63,870 | 55,490 | 8,380 | 15.1% |
| Income (loss) from discontinued operations, net of taxes | 251 | (1,197) | 1,448 | NM* |
| Net income | <u>\$ 64,121</u> | <u>\$ 54,293</u> | <u>\$ 9,828</u> | <u>18.1%</u> |

* Not meaningful

Net Income. Net income in 2010 increased by \$9.8 million, or 18.1%, to \$64.1 million (\$1.21 per diluted share) from \$54.3 million (\$1.05 per diluted share) in 2009. Net income included income from discontinued operations of \$0.3 million and a loss from discontinued operations of \$1.2 million (\$0.02 per diluted share) in 2010 and 2009, respectively.

Income from Continuing Operations. Income from continuing operations in 2010 increased by \$8.4 million, or 15.1%, to \$63.9 million (\$1.21 per diluted share) from \$55.5 million (\$1.07 per diluted share) in 2009.

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

- a \$10.7 million year-over-year decrease in information technology costs in 2010, primarily related to the upgrade of the payroll, human resources and accounting systems that occurred in 2009;
- a \$1.2 million adjustment to increase the self-insurance reserves related to prior year claims in 2010, compared to \$9.4 million in 2009 (accordingly, the year-over-year decrease in the self-insurance reserve adjustments resulted in an \$8.2 million increase in income from continued operations before income taxes in 2010 as compared to 2009);
- a \$5.1 million increase in operating profit, excluding the Corporate segment, primarily related to cost control measures and increases in the operating profit in the Parking and Engineering segments as a result of increases in revenues from new clients and the expansion of services to existing clients;
- a \$4.1 million decrease in general and administrative expenses in 2010, primarily related to professional fees and costs associated with the move of the Company's corporate headquarters to New York incurred during 2009 and decreases in costs associated with the centralization of certain back office support services;

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- a \$3.4 million reversal of previously recorded share-based compensation expense in 2010, due to a change in the probability assessment of achieving the financial performance targets established in connection with certain performance share grants;
- a \$1.4 million year-over-year decrease in the credit loss associated with the other-than-temporary impairment of the Company's investment in auction rate securities in 2010; and
- a \$1.2 million decrease in interest expense as a result of a lower average outstanding balance and lower average interest rate under the line of credit;

partially offset by:

- an \$11.0 million increase in income taxes, primarily related to the increase in income from continuing operations before income taxes and a \$4.6 million year-over-year decrease of non-recurring tax benefits;
- the absence of a \$9.6 million net gain related to a legal settlement for a claim that was settled and resolved in 2009;
- a \$5.8 million litigation settlement; and
- the expensing of acquisition costs of \$2.3 million, in 2010, subsequent to the adoption of ASC 805, *Business Combinations* ("ASC 805") on November 1, 2009.

Revenues. Total revenues increased \$13.9 million, or 0.4%, in 2010, as compared to 2009. The Company's growth in total revenues includes approximately \$43.0 million of revenues attributable to the L&R and Diversco acquisitions described above. Excluding the L&R and Diversco acquisitions, revenues decreased \$29.1 million, or 0.8%, in 2010, as compared to 2009. During 2009, the Company experienced losses of client contracts that exceeded new business, reductions in the level and scope of client services, contract price compression and declines in the level of tag work, primarily in the Janitorial segment. These losses and reductions continued to influence results throughout 2010. In addition, during 2010 the Janitorial segment continued to experience some additional reductions in the level and scope of client services and contract price compression. These revenue decreases in the Janitorial segment were partially offset by additional revenues from new clients and the expansion of services to existing clients in the Engineering segment.

Operating Expenses. As a percentage of revenues, gross margin was 10.3% and 10.5% in 2010 and 2009, respectively.

The gross margin percentages were affected by the following:

- a \$9.6 million net gain related to a legal settlement for a claim that was settled and resolved in 2009; and
- a \$1.2 million adjustment to increase the self-insurance reserves related to prior year claims in 2010, compared to \$9.4 million in 2009.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased \$22.1 million, or 8.4%, in 2010 compared to 2009.

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

- a \$12.8 million decrease in selling, general and administrative costs at the Janitorial segment, primarily related to cost control measures, including a reduction in payroll and payroll related expenses;
- a \$10.7 million year-over-year decrease in information technology costs in 2010, primarily related to the upgrade of the payroll, human resources and accounting systems that occurred in 2009;
- a \$4.1 million decrease in general and administrative expenses in 2010, primarily related to professional fees and costs associated with the move of the Company's corporate headquarters to New York incurred during 2009 and decreases in costs associated with the centralization of certain back office support services; and

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- a \$3.4 million reversal of previously recorded share-based compensation expense in 2010, due to a change in the probability assessment of achieving the financial performance targets established in connection with certain performance share grants;

partially offset by:

- a \$5.8 million litigation settlement; and
- the expensing of acquisition costs of \$2.3 million in 2010, subsequent to the adoption of ASC 805 on November 1, 2009.

Interest Expense. Interest expense in 2010 decreased \$1.2 million, or 21.1%, to \$4.6 million from \$5.9 million in 2009. The decrease was primarily related to a lower average outstanding balance and a lower average interest rate under the line of credit in 2010 compared to 2009. The average outstanding balance under the Company's line of credit was \$156.7 million and \$212.9 million in 2010 and 2009, respectively.

Provision for Income Taxes. The effective tax rates on income from continuing operations for 2010 and 2009 were 38.6% and 34.5%, respectively. The effective tax rates for 2010 and 2009 include \$0.2 million of discrete tax costs and \$4.4 million of discrete tax benefits, respectively. The tax benefits in 2009 were principally driven by the benefits of state tax rate increases on the carrying value of the Company's state deferred tax assets and employment based tax credits.

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Segment Information

| (\$ in thousands) | Years Ended October 31, | | Increase | Increase |
|--|-------------------------|---------------------|------------------|--------------|
| | 2010 | 2009 | (Decrease) | (Decrease) |
| | | | \$ | % |
| Revenues | | | | |
| Janitorial | \$ 2,337,940 | \$ 2,382,025 | \$ (44,085) | (1.9)% |
| Engineering | 350,787 | 305,694 | 45,093 | 14.8% |
| Parking | 469,398 | 457,477 | 11,921 | 2.6% |
| Security | 336,249 | 334,610 | 1,639 | 0.5% |
| Corporate | 1,373 | 2,017 | (644) | (31.9)% |
| | <u>\$ 3,495,747</u> | <u>\$ 3,481,823</u> | <u>\$ 13,924</u> | <u>0.4%</u> |
| Operating profit | | | | |
| Janitorial | \$ 140,983 | \$ 139,858 | \$ 1,125 | 0.8% |
| Engineering | 21,955 | 19,658 | 2,297 | 11.7% |
| Parking | 22,738 | 20,285 | 2,453 | 12.1% |
| Security | 7,487 | 8,221 | (734) | (8.9)% |
| Corporate | (84,324) | (95,915) | 11,591 | 12.1% |
| Operating profit | <u>108,839</u> | <u>92,107</u> | <u>16,732</u> | <u>18.2%</u> |
| Other-than-temporary impairment losses on auction rate security: | | | | |
| Gross impairment losses | — | (3,695) | 3,695 | NM* |
| Impairment recognized in other comprehensive income | (127) | 2,129 | (2,256) | NM* |
| Interest expense | (4,639) | (5,881) | 1,242 | (21.1)% |
| Income from continuing operations before income taxes | <u>\$ 104,073</u> | <u>\$ 84,660</u> | <u>\$ 19,413</u> | <u>22.9%</u> |

* Not meaningful

Janitorial. Janitorial revenues decreased \$44.1 million, or 1.9%, during 2010 compared to 2009. Excluding the revenues associated with the Diversco acquisition, Janitorial revenues decreased \$68.1 million, or 2.9%, during 2010, as compared to 2009. During 2009, Janitorial experienced losses of client contracts that exceeded new business, reductions in the level and scope of client services, contract price compression and declines in the level of tag work, which continued to influence results throughout 2010. In addition, during 2010, Janitorial continued to experience some reductions in the level and scope of client services and contract price compression as a result of decreases in client discretionary spending, partially offset by additional revenues from new clients.

Despite the reduction in revenues, operating profit increased \$1.1 million, or 0.8%, during 2010 compared to 2009. The increase was primarily related to cost control measures, including a reduction in payroll and payroll related expenses, and \$1.1 million of operating profit contributed by the Diversco acquisition.

Engineering. Engineering revenues increased \$45.1 million, or 14.8%, during 2010 compared to 2009. The increase was primarily related to additional revenues from new clients and the expansion of services to existing clients.

Operating profit increased by \$2.3 million, or 11.7%, in 2010 compared to 2009, primarily related to the increase in revenues.

Parking. Parking revenues increased \$11.9 million, or 2.6%, during 2010 compared to 2009. Excluding the revenues associated with the L&R acquisition, Parking revenues decreased \$3.0 million, or 0.7%. The decrease in revenues, excluding the L&R acquisition, was primarily related to a \$5.7 million reduction of expenses incurred on the behalf of managed parking facilities, which are reimbursed to the Company. These reimbursed expenses are recognized as parking revenues and expenses, which have no impact on operating profit. The decrease in management reimbursement revenues was offset by a \$2.7 million increase in lease and allowance revenues from new clients and the expansion of services to existing clients.

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Operating profit increased \$2.5 million, or 12.1%, during 2010 compared to 2009. The increase was primarily related to the increase in lease and allowance revenues, cost control measures and \$0.4 million contributed by the L&R acquisition.

Security. Security revenues increased \$1.6 million, or 0.5%, during 2010 compared to 2009. Excluding the revenues associated with the Diversco acquisition, Security revenues decreased \$2.4 million, or 0.7%. The decrease in revenues was primarily related to reductions in the level and scope of client services and contract price compression as a result of decreases in client discretionary spending.

Operating profit decreased \$0.7 million, or 8.9%, in 2010 compared to 2009. The decrease was primarily related to margin compression.

Corporate. Corporate expense decreased \$11.6 million, or 12.1%, in 2010 compared to 2009.

The decrease in Corporate expense was primarily related to:

- a \$10.7 million year-over-year decrease in information technology costs in 2010, primarily related to the upgrade of the payroll, human resources and accounting systems that occurred in 2009;
- a \$1.2 million adjustment to increase the self-insurance reserves related to prior year claims in 2010, compared to \$9.4 million in 2009 (accordingly, the year-over-year decrease in the self-insurance reserve adjustments resulted in an \$8.2 million decrease in Corporate expenses in 2010 as compared to 2009);
- a \$4.1 million decrease in general and administrative expenses in 2010, primarily related to professional fees and costs associated with the move of the Company's corporate headquarters to New York incurred during 2009 and decreases in costs associated with the centralization of certain back office support services; and
- a \$3.4 million reversal of previously recorded share-based compensation expense in 2010, due to a change in the probability assessment of achieving the financial performance targets established in connection with certain performance share grants;

partially offset by:

- the absence of a \$9.6 million net gain related to a legal settlement for a claim that was settled and resolved in 2009;
- a \$5.8 million litigation settlement; and
- the expensing of acquisition costs of \$2.3 million in 2010, subsequent to the adoption of ASC 805 on November 1, 2009.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80), Disclosure about an Employer's Participation in a Multiemployer Plan*. The objective of ASU 2011-09 is to improve the transparency of financial reporting with respect to an employer's participation in a multiemployer pension plan or other multiemployer postretirement benefit plan by requiring each participating employer to provide additional separate, quantitative and qualitative disclosures. The additional disclosures will increase awareness about the commitments that an employer has made to a multiemployer pension plan and the potential future cash flow implications of an employer's participation in the plan. For public entities, the amendments in ASU 2011-09 are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. The Company has not elected to early adopt and will adopt this ASU in fiscal year 2012. The amendments in ASU 2011-09 should be applied retrospectively for all periods presented. The adoption of this standard will have no impact on the Company's financial position or results of operations as it only modifies the required disclosures.

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In September 2011, the FASB issued ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350), Testing Goodwill for Impairment*, to simplify how entities test goodwill for impairment. ASU 2011-08 allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a greater than 50 percent likelihood exists that the fair value is less than the carrying amount then a two-step goodwill impairment test as described in Topic 350 must be performed. The guidance provided by this update becomes effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company has not elected to early adopt and will adopt this ASU in the first quarter of 2013. The adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*. ASU 2011-05 requires that all non-owner changes in stockholder's equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both cases, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Since ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, it will have no impact on the Company's financial position or results of operations. ASU 2011-05 is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has not elected to early adopt and will adopt this ASU in the first quarter of 2013.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, sales allowances, deferred income tax assets and valuation allowances, estimates of useful lives of intangible assets, impairment of goodwill and other intangibles, fair value of auction rate securities, cash flow forecasts, share-based compensation expense, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, known or expected trends, independent valuations and various other assumptions that are believed to be reasonable under the circumstances based on information available as of the date of the issuance of these financial statements. The results of such assumptions form the basis for making estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The current economic environment and its potential effect on the Company and its clients have combined to increase the uncertainty inherent in such estimates and assumptions. Future results could be significantly affected if actual results were to be different from these estimates and assumptions.

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

Revenue Recognition. The Company earns revenues primarily under service contracts that are either fixed price, cost-plus or time and materials based. Revenues are recognized when earned, normally when services are performed. In all forms of service provided by the Company, revenue recognition follows the guidelines under Staff Accounting Bulletin ("SAB") No. 104, unless another form of guidance takes precedence over SAB No. 104. Revenues are reported net of applicable sales and use tax imposed on the related transaction.

The Janitorial segment primarily earns revenues from the following types of arrangements: fixed price, cost-plus, and tag (extra service) work. Fixed price arrangements are contracts in which the client agrees to pay a fixed fee every month over the specified contract term. A variation of a fixed price arrangement is a square-foot arrangement. Square-foot arrangements are ones in which monthly billings are fixed, however, the client is given a credit calculated based on vacant square footage that is not serviced. Cost-

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plus arrangements are ones in which the client agrees to reimburse the Company for the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage. Tag revenues are additional services requested by the client outside of the standard contract terms. This work is usually performed on short notice due to unforeseen events. The Janitorial segment recognizes revenues on each type of arrangement when services are performed.

The Engineering segment primarily earns revenues from fixed price and cost-plus arrangements. Fixed price arrangements are contracts in which the client agrees to pay a fixed fee every month over the specified contract term. Cost-plus arrangements are ones in which the client agrees to reimburse the Company for the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage. Revenues are recognized for these contracts when services are performed. The Engineering segment also provides services under long-term fixed-price repair and refurbishment contracts, of which certain contracts are accounted for under the percentage-of-completion method of accounting. Under the percentage-of-completion method, revenues are recognized as the work progresses. The percentage of work completed is determined principally by comparing the actual costs incurred to date with the current estimate of total costs to complete to measure the stage of completion. Revenue and gross profit are adjusted periodically for revisions in estimated total contract costs and values. Estimated losses are recorded when identified. Additionally, the Company franchises certain engineering services under the Linc Network® brand through individual and area franchises. Revenue from franchisees consists of start-up fees (which are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied) and continuing franchise royalty fees that are generally based on a percentage of franchisee revenue (which are recorded as revenue by the Company as the fees are earned and become receivable from the franchisee). Direct (incremental) costs relating to franchise sales for which the revenue has not been recognized are deferred until the related revenue is recognized. Costs relating to continuing franchise fees are expensed as incurred.

The Parking segment earns revenues from parking and transportation services. There are three types of arrangements for parking services: managed lot, leased lot and allowance arrangements. Under managed lot arrangements, the Company manages the parking lot for the owner in exchange for a management fee. The revenues and expenses are passed through by the Company to the owner under the terms and conditions of the management contract. The management fee revenues are recognized when services are performed. The Company reports revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Such amounts totaled \$299.4 million, \$231.5 million and \$231.0 million in 2011, 2010 and 2009, respectively. Under leased lot arrangements, the Company leases the parking lot from the owner and is responsible for all expenses incurred, retains all revenues from monthly and transient parkers, and pays rent to the owner per the terms and conditions of the lease. Revenues are recognized when services are performed. Under allowance arrangements, the Company is paid a fixed or hourly fee to provide parking and/or transportation services. The Company is then responsible for operating expenses. Revenues are recognized when services are performed.

The Security segment primarily performs scheduled post assignments under one-year service arrangements. Security services for special events are generally performed under temporary service agreements. Scheduled post assignments and temporary service agreements are billed based on actual hours of service at contractually specified rates. Revenues for both types of arrangements are recognized when services are performed.

Trade Accounts Receivable Allowances

Allowance for Doubtful Accounts

Trade accounts receivable arise from services provided to the Company's clients and are generally due and payable on terms varying from receipt of the invoice to net thirty days. The Company records an allowance for doubtful accounts to provide for losses on accounts receivable due to a client's inability to pay. The allowance is typically estimated based on an analysis of the historical rate of credit losses or write-offs (due to a client bankruptcy or failure of a former client to pay), specific client concerns and known or expected trends. Such analysis is inherently subjective. The Company's earnings will be impacted in the future to the extent that actual credit loss experience differs from amounts estimated.

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Changes in the financial condition of the Company's clients or adverse developments in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

Sales Allowance

Sales allowance is an estimate for losses on client receivables resulting from client credits. Credits result from, among other things, client vacancy discounts, job cancellations and property damage. The sales allowance estimate is based on an analysis of the historical rate of sales adjustments (credit memos, net of re-bills) and considers known current or expected trends. Such analysis is inherently subjective. The Company's earnings will be impacted in the future to the extent that actual credit experience differs from amounts estimated.

Self-Insurance Reserves. The Company is subject to certain insurable risks, such as workers' compensation, general liability, automobile and property damage. The Company maintains commercial insurance policies that provide \$150.0 million (or \$75.0 million with respect to claims acquired from OneSource in 2008) of coverage for certain risk exposures above the Company's deductibles (i.e., self-insurance retention limits). The Company's deductibles, currently and historically, have generally ranged from \$0.5 million to \$1.0 million per occurrence (in some cases somewhat higher in California). The Company is also responsible for claims in excess of its insurance coverage. Pursuant to some of the Company's management and service contracts, the Company allocates a portion of its insurance-related costs to certain clients, including workers' compensation insurance. A material change in the Company's insurance costs due to a change in the number of claims, costs or premiums, or changes in laws or other factors could have a material effect on operating results. Should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, it would have an adverse impact on the Company's business, as would the incurrence of catastrophic uninsured claims or the inability or refusal of the insurance carriers to pay otherwise insured claims. Further, to the extent the Company self-insures, deterioration in claims management could increase claim costs. Additionally, although the Company engages third-party experts to assist in estimating appropriate self-insurance accounting reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company's reserves. Changes in the Company's insurance reserves, as a result of periodic evaluations of the related liabilities, will likely cause significant volatility in the Company's operating results that might not be indicative of the operations of the Company's ongoing business.

Liabilities for claims under the Company's self-insurance program are recorded on an undiscounted, claims-incurred basis. Associated amounts that are expected to be recovered by insurance are presented as "insurance recoverables." Assets and liabilities related to the Company's insurance programs are classified based upon the timing of expected payment or recovery. The Company allocates current-year insurance expense to its operating segments based upon their underlying exposures.

Investments in Auction Rate Securities. The Company considers its investments in auction rate securities as "available for sale." Accordingly, auction rate securities are presented at fair value with changes in fair value recorded within other comprehensive income, unless a decline in fair value is determined to be other-than-temporary. The credit loss component of an other-than-temporary decline in fair value is recorded in earnings in the period identified. Fair value is estimated by considering, among other factors, assumptions about: (1) the underlying collateral; (2) credit risks associated with the issuer; (3) contractual maturity; (4) credit enhancements associated with any financial insurance guarantee, if any; and (5) assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction.

The Company's determination of whether impairments of its auction rate securities are other-than-temporary is based on an evaluation of several factors, circumstances and known or reasonably supportable trends including, but not limited to: (1) the Company's intent to not sell the securities; (2) the Company's assessment that it is not more likely than not that the Company will be required to sell the

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securities before recovering its cost basis; (3) expected defaults; (4) available ratings for the securities or the underlying collateral; (5) the rating of the associated guarantor (where applicable); (6) the nature and value of the underlying collateral expected to service the investment; (7) actual historical performance of the security in servicing its obligations; and (8) actuarial experience of the underlying re-insurance arrangement (where applicable) which in certain circumstances may have preferential rights to the underlying collateral. The Company's determination of whether an other-than-temporary impairment represents a credit loss is calculated by evaluating the difference between the present value of the expected cash flows expected to be collected and the amortized cost basis of the security. Significant assumptions used in estimating credit losses include: (1) default rates for the security and the mono-line insurer, if any (which are based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored).

Long-Lived Assets Other Than Goodwill. The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If the projected undiscounted cash flows are less than the carrying amount, an impairment is recorded for the excess of the carrying amount over the estimated fair value, which is generally determined using discounted future cash flows.

The Company's intangible assets primarily consist of acquired customer contracts and relationships. Acquired customer relationship intangible assets are being amortized using the sum-of-the-years'-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible assets are expected to be realized.

Goodwill. Goodwill represents the excess of costs over the fair value of net assets of acquired businesses. The Company assesses impairment of goodwill at least annually as of August 1 at the reporting unit level (which for the Company is represented by each operating segment). The impairment test is performed in two steps: (i) the Company determines whether impairment exists by comparing the estimated fair value of each reporting unit with its carrying amount; and (ii) if an indication of impairment exists, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with its carrying amount. The valuation of the Company's reporting units requires significant judgment in evaluation of, among other things, recent indicators of market activity and estimated future cash flows, discount rates and other factors. The Company believes that the fair value of its Janitorial, Engineering and Parking reporting units are substantially in excess of their carrying amounts. The Company has estimated that the fair value of its Security reporting unit may exceed its carrying amount by as little as 18% as of August 1, 2011. In estimating the fair value of the Security reporting unit, the Company considered: (1) indicators of recent market activity and (2) cash flow projections using assumptions about, among other things, future growth in operating results. Deterioration in general market conditions, or conditions affecting the security industry, or the Company's inability to execute its operating plan for Security could have a negative effect on these assumptions, and might result in an impairment of goodwill related to the Security reporting unit in the future.

Income Taxes. The Company's deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, and applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. If management determines it is more-likely-than-not that a portion of the Company's deferred tax assets will not be realized, a valuation allowance is recorded. The provision for income taxes is based on domestic (including federal and state) and international statutory income tax rates in the tax jurisdictions where the Company operates, permanent differences between financial reporting and tax reporting, and available credits and incentives.

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Significant judgment is required in determining income tax provisions and tax positions. The Company may be challenged upon review by the applicable taxing authorities and positions taken may not be sustained. All, or a portion of, the benefit of income tax positions are recognized only when the Company has made a determination that it is more-likely-than-not that the tax position will be sustained upon examination, based upon the technical merits of the position and other factors. For tax positions that are determined as more-likely-than-not to be sustained upon examination, the tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The accounting for uncertain income tax positions requires consideration of timing and judgments about tax issues and potential outcomes, and is a subjective critical estimate. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties. If actual outcomes differ materially from these estimates, they could have a material impact on the Company's results of operations and financial condition. Interest and penalties related to uncertain tax positions are recognized in income tax expense. The U.S federal government is the Company's most significant income tax jurisdiction.

Contingencies and Litigation. Loss contingencies are recorded as liabilities when they are both: (1) probable or known that a liability has been incurred and (2) the amount of the loss is reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. If the Company believes that a loss in litigation is not probable, then no liability will be recorded. Expected costs of resolving contingencies, which include the use of third-party service providers, are accrued as the services are rendered.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments

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

Interest Rate Risk

Line of Credit

The Company's exposure to interest rate risk primarily relates to its variable rate based borrowings under the \$650.0 million five-year syndicated line of credit that expires in September 2016. At October 31, 2011, outstanding LIBOR and IBOR based borrowings of \$300.0 million represented 100% of the Company's total debt obligations. While these borrowings mature over the next 90 days, the line of credit extends through September 2016, subject to the terms of the line of credit. The Company anticipates borrowing similar amounts for periods of one week to three months. A hypothetical 1% increase in interest rates would have added additional interest expense of \$3.1 million on the average outstanding borrowings under the Company's line of credit, net of the interest rate swap agreements, in 2011.

Interest Rate Swaps

On February 19, 2009, the Company entered into a two-year interest rate swap agreement with an underlying notional amount of \$100.0 million, pursuant to which the Company received variable interest payments based on LIBOR and paid fixed interest at a rate of 1.47%. This interest rate swap expired on February 19, 2011.

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of \$25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

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As of October 31, 2011, the fair value of the remaining interest rate swap was a \$0.3 million liability, which was included in retirement plans and other on the accompanying consolidated balance sheet. The effective portion of this cash flow hedge is recorded within accumulated other comprehensive loss and reclassified into interest expense in the same period during which the hedged transactions affect earnings. The amount included in accumulated other comprehensive loss is \$0.3 million (\$0.2 million, net of taxes) at October 31, 2011.

Investment in Auction Rate Securities

At October 31, 2011, the Company held investments in auction rate securities from four different issuers having an aggregate original principal amount of \$20.0 million. The investments are not subject to material interest rate risk. These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days based on spreads to a base rate (i.e., LIBOR). A hypothetical 1% increase in interest rates during 2011 would have added approximately \$0.2 million of additional interest income in 2011.

Foreign Currency

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
ABM Industries Incorporated:

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and subsidiaries (“the Company”) as of October 31, 2011 and 2010, and the related consolidated statements of income, stockholders’ equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2011. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement Schedule II. We have also audited the Company’s internal control over financial reporting as of October 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these consolidated financial statements, the related financial statement Schedule II, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and the related financial statement Schedule II and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABM Industries Incorporated and subsidiaries as of October 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2011 in conformity with U.S. generally accepted accounting principles. Also in

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our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, ABM Industries Incorporated and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO.

/s/ KPMG LLP

New York, New York
December 23, 2011

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CONSOLIDATED BALANCE SHEETS

| October 31, (in thousands, except share amounts) | 2011 | 2010 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 26,467 | \$ 39,446 |
| Trade accounts receivable, net of allowances of \$13,485 and \$10,672 at October 31, 2011 and 2010, respectively | 552,098 | 450,513 |
| Prepaid income taxes | 7,205 | 1,498 |
| Current assets of discontinued operations | 1,992 | 4,260 |
| Prepaid expenses | 41,823 | 41,306 |
| Notes receivable and other | 52,756 | 20,402 |
| Deferred income taxes, net | 40,565 | 46,193 |
| Insurance recoverables | 10,851 | 5,138 |
| Total current assets | <u>733,757</u> | <u>608,756</u> |
| Non-current assets of discontinued operations | 216 | 1,392 |
| Insurance deposits | 35,974 | 36,164 |
| Other investments and long-term receivables | 5,798 | 4,445 |
| Deferred income taxes, net | 30,948 | 51,068 |
| Insurance recoverables | 59,759 | 70,960 |
| Other assets | 43,178 | 37,869 |
| Investments in auction rate securities | 15,670 | 20,171 |
| Investments in unconsolidated affiliates, net | 14,423 | — |
| Property, plant and equipment, net of accumulated depreciation of \$97,819 and \$98,884 at October 31, 2011 and 2010, respectively | 60,009 | 58,088 |
| Other intangible assets, net of accumulated amortization of \$78,669 and \$54,889 at October 31, 2011 and 2010, respectively | 128,994 | 65,774 |
| Goodwill | 750,872 | 593,983 |
| Total assets | <u>\$ 1,879,598</u> | <u>\$ 1,548,670</u> |

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CONSOLIDATED BALANCE SHEETS (continued)**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities

| | | |
|---------------------------|----------------|----------------|
| Trade accounts payable | \$ 130,464 | \$ 78,928 |
| Accrued liabilities | | |
| Compensation | 112,233 | 89,063 |
| Taxes - other than income | 19,144 | 17,663 |
| Insurance claims | 78,828 | 77,101 |
| Other | 102,220 | 70,119 |
| Income taxes payable | 307 | 977 |
| Total current liabilities | <u>443,196</u> | <u>333,851</u> |

| | | |
|----------------------------|------------------|----------------|
| Income taxes payable | 38,236 | 29,455 |
| Line of credit | 300,000 | 140,500 |
| Retirement plans and other | 39,707 | 34,626 |
| Insurance claims | 262,573 | 271,213 |
| Total liabilities | <u>1,083,712</u> | <u>809,645</u> |

Commitments and Contingencies

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; 53,333,071 and 52,635,343 shares issued and outstanding at October 31, 2011 and 2010, respectively | 533 | 526 |
| Additional paid-in capital | 211,389 | 192,418 |
| Accumulated other comprehensive loss, net of taxes | (2,661) | (1,863) |
| Retained earnings | 586,625 | 547,944 |
| Total stockholders' equity | <u>795,886</u> | <u>739,025</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,879,598</u> | <u>\$ 1,548,670</u> |

See accompanying notes to the consolidated financial statements.

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ABM Industries Incorporated and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31,
(in thousands, except per share data)

| | 2011 | 2010 | 2009 |
|---|------------------|------------------|------------------|
| Revenues | \$ 4,246,842 | \$ 3,495,747 | \$ 3,481,823 |
| Expenses | | | |
| Operating | 3,781,264 | 3,134,018 | 3,114,699 |
| Selling, general and administrative | 324,762 | 241,526 | 263,633 |
| Amortization of intangible assets | 23,248 | 11,364 | 11,384 |
| Total expenses | <u>4,129,274</u> | <u>3,386,908</u> | <u>3,389,716</u> |
| Operating profit | 117,568 | 108,839 | 92,107 |
| Other-than-temporary impairment losses on auction rate security: | | | |
| Gross impairment losses | — | — | (3,695) |
| Impairments recognized in other comprehensive income | — | (127) | 2,129 |
| Income from unconsolidated affiliates, net | 3,915 | — | — |
| Interest expense | <u>(15,805)</u> | <u>(4,639)</u> | <u>(5,881)</u> |
| Income from continuing operations before income taxes | 105,678 | 104,073 | 84,660 |
| Provision for income taxes | <u>(36,980)</u> | <u>(40,203)</u> | <u>(29,170)</u> |
| Income from continuing operations | 68,698 | 63,870 | 55,490 |
| Discontinued Operations | | | |
| (Loss) income from discontinued operations, net of taxes | <u>(194)</u> | <u>251</u> | <u>(1,197)</u> |
| Net income | <u>\$ 68,504</u> | <u>\$ 64,121</u> | <u>\$ 54,293</u> |
| Net income per common share—Basic | | | |
| Income from continuing operations | \$ 1.29 | \$ 1.23 | \$ 1.08 |
| Loss from discontinued operations | — | — | (0.02) |
| Net Income | <u>\$ 1.29</u> | <u>\$ 1.23</u> | <u>\$ 1.06</u> |
| Net income per common share—Diluted | | | |
| Income from continuing operations | \$ 1.27 | \$ 1.21 | \$ 1.07 |
| Loss from discontinued operations | — | — | (0.02) |
| Net Income | <u>\$ 1.27</u> | <u>\$ 1.21</u> | <u>\$ 1.05</u> |
| Weighted-average common and common equivalent shares outstanding | | | |
| Basic | 53,121 | 52,117 | 51,373 |
| Diluted | 54,103 | 52,908 | 51,845 |
| Dividends declared per common share | \$ 0.56 | \$ 0.54 | \$ 0.52 |

See accompanying notes to the consolidated financial statements.

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ABM Industries Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

| (in thousands) | Common Stock | | Treasury Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total |
|--|--------------|--------|----------------|--------------|----------------------------------|--|----------------------|------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance October 31, 2008 | 57,992 | \$ 581 | (7,028) | \$ (122,338) | \$ 284,094 | \$ (3,422) | \$ 485,136 | \$ 644,051 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | — | — | — | 54,293 | 54,293 |
| Unrealized gain on auction rate securities, net of taxes of \$203 | — | — | — | — | — | 297 | — | 297 |
| Reclass adjustment for credit losses recognized in earnings, net of taxes of \$636 | — | — | — | — | — | 930 | — | 930 |
| Foreign currency translation, net of taxes of \$241 | — | — | — | — | — | 577 | — | 577 |
| Actuarial loss—Adjustments to pension and other post-retirement benefit plans, net of taxes of \$139 | — | — | — | — | — | (203) | — | (203) |
| Unrealized loss on interest rate swaps, net of taxes of \$412 | — | — | — | — | — | (602) | — | (602) |
| Comprehensive income | — | — | — | — | — | — | — | 55,292 |
| Dividends: | | | | | | | | |
| Common stock | — | — | — | — | — | — | (26,727) | (26,727) |
| Tax effect from exercise of stock options | — | — | — | — | (1,314) | — | — | (1,314) |
| Stock issued under employees' stock purchase and option plans | 724 | 6 | — | — | 8,557 | — | (226) | 8,337 |
| Share-based compensation expense | — | — | — | — | 7,411 | — | — | 7,411 |
| Treasury stock retirement | (7,028) | (70) | 7,028 | 122,338 | (122,268) | — | — | — |
| Balance October 31, 2009 | 51,688 | \$ 517 | — | \$ — | \$ 176,480 | \$ (2,423) | \$ 512,476 | \$ 687,050 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | — | — | — | 64,121 | 64,121 |
| Unrealized gain on auction rate securities, net of taxes of \$179 | — | — | — | — | — | 461 | — | 461 |
| Reclass adjustment for credit losses recognized in earnings, net of taxes of \$53 | — | — | — | — | — | 74 | — | 74 |
| Foreign currency translation | — | — | — | — | — | 68 | — | 68 |
| Actuarial loss—Adjustments to pension and other post-retirement benefit plans, net of taxes of \$108 | — | — | — | — | — | (381) | — | (381) |
| Unrealized gain on interest rate swaps, net of taxes of \$230 | — | — | — | — | — | 338 | — | 338 |
| Comprehensive income | — | — | — | — | — | — | — | 64,681 |
| Dividends: | | | | | | | | |
| Common stock | — | — | — | — | — | — | (28,152) | (28,152) |
| Tax effect from exercise of stock options | — | — | — | — | 383 | — | — | 383 |
| Stock issued under employees' stock purchase and option plans | 947 | 9 | — | — | 11,484 | — | (501) | 10,992 |
| Share-based compensation expense | — | — | — | — | 4,071 | — | — | 4,071 |
| Balance October 31, 2010 | 52,635 | \$ 526 | — | \$ — | \$ 192,418 | \$ (1,863) | \$ 547,944 | \$ 739,025 |

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ABM Industries Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(continued)

| | | | | | | | | | |
|--|---------------|---------------|-------------|-------------|-------------------|-------------------|-------------------|------------------|--|
| Comprehensive income: | | | | | | | | | |
| Net income | — | — | — | — | — | — | 68,504 | 68,504 | |
| Foreign currency translation | | | | | | 214 | — | 214 | |
| Unrealized gain on auction rate securities, net of taxes of \$193 | — | — | — | — | — | 306 | — | 306 | |
| Net unrealized gain on interest rate swaps, net of taxes of \$76 | — | — | — | — | — | 115 | — | 115 | |
| Actuarial loss - Adjustments to pension and other post-retirement benefit plans, net of taxes of \$996 | — | — | — | — | — | (1,433) | — | (1,433) | |
| Comprehensive income | | | | | | | | 67,706 | |
| Dividends: | | | | | | | | | |
| Common stock | — | — | — | — | — | — | (29,744) | (29,744) | |
| Tax effect from exercise of stock options | — | — | — | — | (467) | — | — | (467) | |
| Stock issued under employees' stock purchase and option plans | 698 | 7 | — | — | 10,247 | — | (79) | 10,175 | |
| Share-based compensation expense | — | — | — | — | 9,191 | — | — | 9,191 | |
| Balance October 31, 2011 | 53,333 | \$ 533 | \$ — | \$ — | \$ 211,389 | \$ (2,661) | \$ 586,625 | \$795,886 | |

See accompanying notes to the consolidated financial statements.

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ABM Industries Incorporated and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

 Years ended October 31,
 (in thousands)

| | 2011 | 2010 | 2009 |
|--|------------------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Net income | \$ 68,504 | \$ 64,121 | \$ 54,293 |
| (Loss) income from discontinued operations, net of taxes | (194) | 251 | (1,197) |
| Income from continuing operations | 68,698 | 63,870 | 55,490 |
| Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities: | | | |
| Depreciation and amortization of intangible assets | 52,658 | 36,315 | 33,325 |
| Deferred income taxes | 24,227 | 17,654 | 16,191 |
| Share-based compensation expense | 9,191 | 4,071 | 7,411 |
| Provision for bad debt | 3,142 | 2,636 | 3,960 |
| Discount accretion on insurance claims | 874 | 912 | 1,248 |
| Auction rate security credit loss impairment | — | 127 | 1,566 |
| Gain on sale of assets | (150) | (1,059) | (941) |
| Income from unconsolidated affiliates, net | (3,915) | — | — |
| Distributions from unconsolidated affiliates | 2,539 | — | — |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Trade accounts receivable | (18,432) | 1,976 | 19,931 |
| Prepaid expenses and other current assets | (7,786) | (297) | (1,431) |
| Insurance recoverables | 5,488 | (3,981) | (500) |
| Other assets and long-term receivables | 5,962 | 3,856 | (8,764) |
| Income taxes payable | 4,396 | 22,629 | 12,623 |
| Retirement plans and other non-current liabilities | (4,085) | (317) | (5,144) |
| Insurance claims | (11,950) | (247) | (1,497) |
| Trade accounts payable and other accrued liabilities | 25,943 | (7,399) | (12,213) |
| Total adjustments | 88,102 | 76,876 | 65,765 |
| Net cash provided by continuing operating activities | 156,800 | 140,746 | 121,255 |
| Net cash provided by discontinued operating activities | 3,190 | 9,118 | 19,616 |
| Net cash provided by operating activities | 159,990 | 149,864 | 140,871 |
| Cash flows from investing activities: | | | |
| Additions to property, plant and equipment | (22,124) | (23,942) | (18,582) |
| Proceeds from sale of assets and other | 912 | 1,512 | 2,165 |
| Purchase of businesses, net of cash acquired | (290,985) | (65,430) | (21,050) |
| Investments in unconsolidated affiliates | (215) | — | — |
| Proceeds from sale of auction rate securities | 5,000 | — | — |
| Net cash used in investing activities | (307,412) | (87,860) | (37,467) |
| Cash flows from financing activities: | | | |
| Proceeds from exercises of stock options (including income tax benefit) | 9,708 | 11,376 | 6,331 |
| Dividends paid | (29,744) | (28,152) | (26,727) |
| Deferred financing costs paid | (5,021) | — | — |
| Borrowings from line of credit | 885,500 | 448,000 | 638,000 |
| Repayment of borrowings from line of credit | (726,000) | (480,000) | (695,500) |
| Changes in book cash overdraft | — | (7,935) | (18,096) |
| Net cash provided by (used in) financing activities | 134,443 | (56,711) | (95,992) |
| Net (decrease) increase in cash and cash equivalents | (12,979) | 5,293 | 7,412 |
| Cash and cash equivalents at beginning of year | 39,446 | 34,153 | 26,741 |
| Cash and cash equivalents at end of year | \$ 26,467 | \$ 39,446 | \$ 34,153 |

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ABM Industries Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**Supplemental Data:**

| | | | |
|---|-------------|-------------|-----------------|
| Cash paid for income taxes, net of refunds received | \$ 9,651 | \$ (108) | \$ 1,426 |
| Tax effect from exercise of options | (467) | 383 | 57 |
| Cash received from exercise of options | 10,175 | 10,993 | 7,145 |
| Interest paid on line of credit | 10,055 | 3,398 | 4,740 |
| Non-cash investing activities: | | | |
| Common stock issued for business acquired | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,198</u> |

See accompanying notes to the consolidated financial statements.

ABM Industries Incorporated and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND NATURE OF OPERATIONS

ABM Industries Incorporated (“ABM”), through its subsidiaries (collectively, the “Company”), is a leading provider of end-to-end integrated facilities management services for commercial, industrial, institutional, governmental and retail facilities, primarily throughout the United States. The Company was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of ABM Industries Incorporated and its consolidated subsidiaries and are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, the Company evaluates its estimates, including those related to self-insurance reserves, allowance for doubtful accounts, sales allowances, deferred income tax assets and valuation allowances, useful lives of intangible assets, impairment of goodwill and other intangibles, fair value of auction rate securities, cash flow forecasts, share-based compensation expense, and contingencies and litigation liabilities. The Company bases its estimates on historical experience, known or expected trends, independent valuations and various other assumptions that are believed to be reasonable under the circumstances based on information available as of the date of the issuance of these financial statements. The results of such assumptions form the basis for making estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The current economic environment and its potential effect on the Company and its clients have combined to increase the uncertainty inherent in such estimates and assumptions. Future results could be significantly affected if actual results were to be different from these estimates and assumptions.

Significant Accounting Policies

Revenue Recognition. The Company earns revenues primarily under service contracts that are either fixed price, cost-plus or time and materials based. Revenues are recognized when earned, normally when services are performed. In all forms of service provided by the Company, revenue recognition follows the guidelines under Staff Accounting Bulletin (“SAB”) No. 104, unless another form of guidance takes precedence over SAB No. 104. Revenues are reported net of applicable sales and use tax imposed on the related transaction.

The Janitorial segment primarily earns revenues from the following types of arrangements: fixed price, cost-plus, and tag (extra service) work. Fixed price arrangements are contracts in which the client agrees to pay a fixed fee every month over the specified contract term. A variation of a fixed price arrangement is a square-foot arrangement. Square-foot arrangements are ones in which monthly billings are fixed, however, the client is given a credit calculated based on vacant square footage that is not serviced. Cost-plus arrangements are ones in which the client agrees to reimburse the Company for the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage. Tag revenues are additional services requested by the client outside of the standard contract terms. This work is usually performed on short notice due to unforeseen events. The Janitorial segment recognizes revenues on each type of arrangement when services are performed.

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The Engineering segment primarily earns revenues from fixed price and cost-plus arrangements. Fixed price arrangements are contracts in which the client agrees to pay a fixed fee every month over the specified contract term. Cost-plus arrangements are ones in which the client agrees to reimburse the Company for the agreed upon amount of wages and benefits, payroll taxes, insurance charges and other expenses plus a profit percentage. Revenues are recognized for these contracts when services are performed. The Engineering segment also provides services under long-term fixed-price repair and refurbishment contracts, of which certain contracts are accounted for under the percentage-of-completion method of accounting. Under the percentage-of-completion method, revenues are recognized as the work progresses. The percentage of work completed is determined principally by comparing the actual costs incurred to date with the current estimate of total costs to complete to measure the stage of completion. Revenue and gross profit are adjusted periodically for revisions in estimated total contract costs and values. Estimated losses are recorded when identified. Additionally, the Company franchises certain engineering services under the Linc Network® brand through individual and area franchises. Revenue from franchisees consists of start-up fees (which are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied) and continuing franchise royalty fees that are generally based on a percentage of franchisee revenue (which are recorded as revenue by the Company as the fees are earned and become receivable from the franchisee). Direct (incremental) costs relating to franchise sales for which the revenue has not been recognized are deferred until the related revenue is recognized. Costs relating to continuing franchise fees are expensed as incurred.

The Parking segment earns revenues from parking and transportation services. There are three types of arrangements for parking services: managed lot, leased lot and allowance arrangements. Under managed lot arrangements, the Company manages the parking lot for the owner in exchange for a management fee. The revenues and expenses are passed through by the Company to the owner under the terms and conditions of the management contract. The management fee revenues are recognized when services are performed. The Company reports revenues and expenses, in equal amounts, for costs directly reimbursed from its managed parking lot clients. Such amounts totaled \$299.4 million, \$231.5 million and \$231.0 million in 2011, 2010 and 2009, respectively. Under leased lot arrangements, the Company leases the parking lot from the owner and is responsible for all expenses incurred, retains all revenues from monthly and transient parkers, and pays rent to the owner per the terms and conditions of the lease. Revenues are recognized when services are performed. Under allowance arrangements, the Company is paid a fixed or hourly fee to provide parking and/or transportation services. The Company is then responsible for operating expenses. Revenues are recognized when services are performed.

The Security segment primarily performs scheduled post assignments under one-year service arrangements. Security services for special events are generally performed under temporary service agreements. Scheduled post assignments and temporary service agreements are billed based on actual hours of service at contractually specified rates. Revenues for both types of arrangements are recognized when services are performed.

Trade Accounts Receivable Allowances

Allowance for Doubtful Accounts

Trade accounts receivable arise from services provided to the Company's clients and are generally due and payable on terms varying from receipt of the invoice to net thirty days. The Company records an allowance for doubtful accounts to provide for losses on accounts receivable due to a client's inability to pay. The allowance is typically estimated based on an analysis of the historical rate of credit losses or write-offs (due to a client bankruptcy or failure of a former client to pay), specific client concerns and known or expected trends. Such analysis is inherently subjective. Changes in the financial condition of the Company's clients or adverse developments in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

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Sales Allowance

Sales allowance is an estimate for losses on client receivables resulting from client credits. Credits result from, among other things, client vacancy discounts, job cancellations and property damage. The sales allowance estimate is based on an analysis of the historical rate of sales adjustments (credit memos, net of re-bills) and considers known current or expected trends. Such analysis is inherently subjective. The Company's earnings will be impacted in the future to the extent that actual credit experience differs from amounts estimated.

Guarantees. The Company offers certain customers guaranteed energy savings on installed equipment under certain contracts. The total energy savings guarantees were \$24.4 million at October 31, 2011 and extend through 2026. The Company accrues for the estimated cost of guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. Historically, the Company has not incurred significant losses in connection with these guarantees and the Company does not expect significant future losses.

Investments in Unconsolidated Affiliates. The Company owns non-controlling interests in certain affiliated entities that predominantly provide engineering services to governmental and commercial clients, primarily in the United States and the Middle East. The net carrying amount of the investments in unconsolidated affiliates was \$14.4 million at October 31, 2011. The Company accounts for such investments, in which it holds a significant interest but does not have controlling influence, under the equity method of accounting. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The differences between the carrying amounts and the estimated fair values of equity method investments are recognized as an impairment loss when the loss is deemed to be other-than-temporary.

Self-Insurance Reserves. The Company is subject to certain insurable risks, such as workers' compensation, general liability, automobile and property damage. The Company maintains commercial insurance policies that provide \$150.0 million (or \$75.0 million with respect to claims acquired from OneSource Services, Inc. ("OneSource") in the year ended October 31, 2008) of coverage for certain risk exposures above the Company's deductibles (i.e., self-insurance retention limits). The Company's deductibles, currently and historically, have generally ranged from \$0.5 million to \$1.0 million per occurrence (in some cases somewhat higher in California). The Company is also responsible for claims in excess of its insurance coverage. A material change in the Company's insurance costs due to a change in the number of claims, costs or premiums, or changes in laws or other factors could have a material effect on operating results. Should the Company be unable to renew its umbrella and other commercial insurance policies at competitive rates, it would have an adverse impact on the Company's business, as would the incurrence of catastrophic uninsured claims or the inability or refusal of the insurance carriers to pay otherwise insured claims. Further, to the extent that the Company self-insures, deterioration in claims management could increase claim costs. Additionally, although the Company engages third-party experts to assist in estimating appropriate self-insurance accounting reserves, the determination of those reserves is dependent upon significant actuarial judgments that have a material impact on the Company's reserves. Changes in the Company's insurance reserves, as a result of periodic evaluations of the related liabilities, will likely cause significant volatility in the Company's operating results that might not be indicative of the operations of the Company's ongoing business.

Liabilities for claims under the Company's self-insurance program are recorded on an undiscounted, claims-incurred basis. Associated amounts that are expected to be recovered by insurance are presented as "insurance recoverables." Assets and liabilities related to the Company's insurance programs are classified based upon the timing of expected payment or recovery. The Company allocates current-year insurance expense to its operating segments based upon their underlying exposures.

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In connection with the OneSource acquisition, acquired insurance claims liabilities were recorded at their fair values at the acquisition date, which was based on the present value of the expected future cash flows. These discounted liabilities are being accreted through charges to interest expense as the carrying amounts are brought to an undiscounted amount. The method of accretion approximates the effective interest yield method using the rate a market participant would use in determining the current fair value of the insurance claim liabilities. Included in interest expense in the years ended October 31, 2011 and 2010 were \$0.9 million and \$0.9 million of interest accretion related to insurance claims liabilities, respectively.

Cash and Cash Equivalents. The Company considers all highly liquid instruments with original maturities of three months or less at the date of purchase to be cash equivalents. The Company presents the change in book cash overdrafts (i.e., negative book cash balances that have not been presented to the bank for payment) as cash flows from financing activities.

Investments in Auction Rate Securities. The Company considers its investments in auction rate securities as "available for sale." Accordingly, auction rate securities are presented at fair value with changes in fair value recorded within other comprehensive income ("OCI"), unless a decline in fair value is determined to be other-than-temporary. The credit loss component of an other-than-temporary decline in fair value is recorded in earnings in the period identified. See Note 5, "Auction Rate Securities," for additional information.

Property, Plant and Equipment. Property, plant and equipment is recorded at historical cost. Depreciation and amortization are recognized on a straight-line basis over estimated useful lives, ranging from: 3 to 5 years for transportation equipment and capitalized internal-use software costs; 2 to 20 years for machinery and equipment; and 20 to 40 years for buildings. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term (including renewals that are deemed to be reasonably assured at the date that the leasehold improvements are purchased).

Long-Lived Assets Other Than Goodwill. The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes in circumstances occur, a recoverability test is performed comparing projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If the projected undiscounted cash flows are less than the carrying amount, an impairment is recorded for the excess of the carrying amount over the estimated fair value, which is generally determined using discounted future cash flows.

The Company's intangible assets consist of acquired customer contracts and relationships, trademarks and trade names, and contract rights. Acquired customer relationship intangible assets are being amortized using the sum-of-the-years'-digits method over their useful lives consistent with the estimated useful life considerations used in the determination of their fair values. The accelerated method of amortization reflects the pattern in which the economic benefits of the customer relationship intangible assets are expected to be realized. Trademarks and trade names are being amortized over their useful lives using the straight-line method. Contract rights are being amortized over the contract periods using the straight-line method.

Goodwill. Goodwill represents the excess of costs over the fair value of net assets of acquired businesses. The Company assesses impairment of goodwill at least annually as of August 1 at the reporting unit level (which for the Company is represented by each operating segment). The impairment test is performed in two steps: (i) the Company determines whether impairment exists by comparing the estimated fair value of each reporting unit with its carrying amount; and (ii) if an indication of impairment exists, the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with its carrying amount.

Other Accrued Liabilities. Other accrued liabilities as of October 31, 2011 and 2010 primarily consists of employee benefits, dividends payable, loss contingencies, rent payable, and unclaimed property.

Share-Based Compensation. Share-based compensation expense is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period) for awards expected to vest (considering estimated forfeitures). The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. The fair value of restricted stock and performance awards is determined based on the number of shares granted and the grant date fair value of the award. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Stock option exercises and restricted stock and performance award issuances are expected to be fulfilled with new shares of common stock. Share-based compensation expense is included in selling, general and administrative expenses and is amortized on a straight-line basis over the vesting term.

Income Taxes. The Company's deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, and applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. If management determines it is more-likely-than-not that a portion of the Company's deferred tax assets will not be realized, a valuation allowance is recorded. The provision for income taxes is based on domestic (including federal and state) and international statutory income tax rates in the tax jurisdictions where the Company operates, permanent differences between financial reporting and tax reporting, and available credits and incentives.

Significant judgment is required in determining income tax provisions and tax positions. The Company may be challenged upon review by the applicable taxing authorities and positions taken may not be sustained. All, or a portion of, the benefit of income tax positions are recognized only when the Company has made a determination that it is more-likely-than-not that the tax position will be sustained upon examination, based upon the technical merits of the position and other factors. For tax positions that are determined as more-likely-than-not to be sustained upon examination, the tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The accounting for uncertain income tax positions requires consideration of timing and judgments about tax issues and potential outcomes, and is a subjective critical estimate. In certain circumstances, the ultimate outcome of exposures and risks involves significant uncertainties. If actual outcomes differ materially from these estimates, they could have a material impact on the Company's results of operations and financial condition. Interest and penalties related to uncertain tax positions are recognized in income tax expense. The U.S federal government is the Company's most significant income tax jurisdiction.

Net Income per Common Share. Basic net income per common share is net income divided by the weighted average number of shares outstanding during the period. Diluted net income per common share is based on the weighted average number of shares outstanding during the period, adjusted to include the assumed exercise and conversion of certain stock options, restricted stock units ("RSUs") and performance shares. The calculations of basic and diluted net income per common share are as follows:

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Years ended October 31,

(in thousands, except per share data)

| | 2011 | 2010 | 2009 |
|--|------------------|------------------|------------------|
| Income from continuing operations | \$ 68,698 | \$ 63,870 | \$ 55,490 |
| (Loss) income from discontinued operations, net of taxes | (194) | 251 | (1,197) |
| Net income | <u>\$ 68,504</u> | <u>\$ 64,121</u> | <u>\$ 54,293</u> |
| Weighted-average common shares outstanding—Basic | 53,121 | 52,117 | 51,373 |
| Effect of dilutive securities: | | | |
| Stock options | 468 | 446 | 241 |
| Restricted stock units | 293 | 261 | 180 |
| Performance shares | 221 | 84 | 51 |
| Weighted-average common shares outstanding—Diluted | <u>54,103</u> | <u>52,908</u> | <u>51,845</u> |
| Net income per common share | | | |
| Basic | \$ 1.29 | \$ 1.23 | \$ 1.06 |
| Diluted | \$ 1.27 | \$ 1.21 | \$ 1.05 |

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

| (in thousands) | Years ended October 31, | | |
|------------------------|-------------------------|------|-------|
| | 2011 | 2010 | 2009 |
| Stock options | 879 | 744 | 2,017 |
| Restricted stock units | 60 | 29 | 206 |
| Performance shares | 17 | — | — |

Contingencies and Litigation. Loss contingencies are recorded as liabilities when they are both: (1) probable or known that a liability has been incurred and (2) the amount of the loss is reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better estimate, the minimum amount of the range is recorded as a liability. If the Company believes that a loss in litigation is not probable, then no liability will be recorded. Expected costs of resolving contingencies, which include the use of third-party service providers, are accrued as the services are rendered.

Accumulated Other Comprehensive Income (Loss). Comprehensive income consists of (i) net income and (ii) other related gains and losses affecting stockholders' equity that, under GAAP, are excluded from net income. For the Company, such OCI items consist primarily of unrealized gains and losses on auction rate securities, unrealized losses on interest rate swaps, actuarial adjustments to pension and other post-retirement benefit plans, and unrealized foreign currency translation gains and losses, net of tax effects where appropriate.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-09, *Compensation – Retirement Benefits – Multiemployer Plans (Subtopic 715-80), Disclosure about an Employer's Participation in a Multiemployer Plan*. The objective of ASU 2011-09 is to improve the transparency of financial reporting with respect to an employer's participation in a multiemployer pension plan or other multiemployer postretirement benefit plan by requiring each participating employer to provide additional separate, quantitative and qualitative disclosures. The additional disclosures will increase awareness about the commitments that an employer has made to a

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multiemployer pension plan and the potential future cash flow implications of an employer's participation in the plan. For public entities, the amendments in ASU 2011-09 are effective for annual periods for fiscal years ending after December 15, 2011, with early adoption permitted. The Company has not elected to early adopt and will adopt this ASU in fiscal year 2012. The amendments in ASU 2011-09 should be applied retrospectively for all periods presented. The adoption of this standard will have no impact on the Company's financial position or results of operations as it only modifies the required disclosures.

In September 2011, the FASB issued ASU 2011-08, *Intangibles—Goodwill and Other (Topic 350), Testing Goodwill for Impairment*, to simplify how entities test goodwill for impairment. ASU 2011-08 allows entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If a greater than 50 percent likelihood exists that the fair value is less than the carrying amount then a two-step goodwill impairment test as described in Topic 350 must be performed. The guidance provided by this update becomes effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company has not elected to early adopt and will adopt this ASU in the first quarter of 2013. The adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income*. ASU 2011-05 requires that all non-owner changes in stockholder's equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both cases, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Since ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, it will have no impact on the Company's financial position or results of operations. ASU 2011-05 is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has not elected to early adopt and will adopt this ASU in the first quarter of 2013.

3. ACQUISITIONS

The operating results generated by businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The excess of the purchase price (including subsequent contingent purchase price considerations for acquisitions made prior to the adoption of the FASB updated authoritative standard for accounting for business combinations on November 1, 2009) over the fair value of the net tangible and intangible assets acquired is included in goodwill. Some of the Company's purchase agreements provide for initial payments and contingent payments based on the annual pre-tax income or other financial measurements for subsequent periods, ranging generally from two to five years.

The Company made the following acquisitions during the year ended October 31, 2011:

Linc

On December 1, 2010, the Company acquired Linc pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), by and among ABM, Linc, GI Manager LP, as the Members Representative, and Lightning Services, LLC, a wholly-owned subsidiary of ABM ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Linc, and Linc continued as the surviving corporation and as a wholly owned subsidiary of ABM. The aggregate purchase price for all of the outstanding limited liability company interests of Linc was \$298.7 million in cash. In connection with the acquisition, the Company incurred \$5.2 million in direct acquisition costs which were expensed as incurred and classified as selling, general and administrative expenses. Linc provides end-to-end integrated facilities management services, military base operation services, and translation and other services in support of U.S. military operations. Linc's clients include state and federal governments, commercial entities and residential customers, throughout the United States and in select international locations. Some of these

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services are performed through franchisees and other affiliated entities. The operations of Linc are included in the Engineering segment as of the acquisition date. Revenues and operating profit associated with Linc and included in the Company's consolidated statement of income were \$512.9 million and \$11.1 million (excluding transaction costs and the interest expense associated with the borrowings under the Company's line of credit used to finance the acquisition, which were recorded at the Corporate segment), respectively, for 2011.

This acquisition was accounted for under the acquisition method of accounting. The Company has substantially completed the allocation of the purchase price to the underlying assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with any excess of the purchase price allocated to goodwill. The Company is in the process of completing the analysis of deferred taxes, which will be finalized during the first quarter of 2012.

The preliminary purchase price and related allocations are summarized as follows:

(in thousands)

| | |
|--|-------------------|
| Purchase price: | |
| Total cash consideration | <u>\$ 298,720</u> |
| Allocated to: | |
| Cash and cash equivalents | \$ 8,467 |
| Trade accounts receivable | 86,177 |
| Prepaid expenses and other current assets | 7,494 |
| Investments in unconsolidated affiliates | 12,645 |
| Property, plant and equipment | 9,462 |
| Other identifiable intangible assets | 87,000 |
| Other assets | 24,837 |
| Accounts payable | (38,434) |
| Insurance claims | (4,161) |
| Accrued expenses and other current liabilities | (25,888) |
| Non-current liabilities | (25,013) |
| Goodwill | 156,134 |
| Net assets acquired | <u>\$ 298,720</u> |

The acquired intangible assets are being amortized using the sum-of-the-years'-digits method or, where appropriate, the straight-line method. The weighted-average amortization period for the acquired intangible assets are: 14 years for customer contracts, 10 years for the increase in the investment in unconsolidated affiliates carrying values, and 4 years for trademarks, which is consistent with the estimated useful life considerations used in the determination of their fair values. The amount allocated to goodwill is reflective of the Company's identification of buyer-specific synergies that the Company anticipates will be realized by, among other things, reducing duplicative positions and back office functions, consolidating facilities, and reducing professional fees and other services.

The transaction was a taxable asset acquisition of the Linc organization for U.S. income tax purposes and no deferred taxes have been recorded on a significant portion of the acquired assets and liabilities. However, deferred taxes have been recorded for certain assets and liabilities where the Company receives a carryover basis for tax purposes. Deferred tax adjustments will be finalized during the remainder of the measurement period. Approximately \$224.6 million of the goodwill and intangibles assets associated with the acquisition is expected to be amortizable for income tax purposes.

The following unaudited pro forma financial information shows the combined results of continuing operations of the Company, including Linc, as if the acquisition occurred at the beginning of the periods presented. The effects of acquisitions made in 2010 were not included in the table below due to the insignificant impact of such acquisitions on pro forma results. The unaudited pro forma financial

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information is not intended to present or be indicative of the Company's consolidated financial results of continuing operations that would have been reported had the business combination been completed as of the beginning of the period presented and should not be taken as indicative of the Company's future consolidated results of continuing operations. The unaudited pro forma financial information for 2011 has not been provided since the amounts are not significantly different from actual results.

| <u>(in thousands, except per share data)</u> | <u>Year ended October 31, 2010</u> |
|--|--|
| Revenues | \$ 4,062,610 |
| Operating profit | 111,788 |
| Net income | \$ 62,109 |
| Net income per common share | |
| Basic | \$ 1.19 |
| Diluted | \$ 1.17 |

Contingent Payments

Total additional consideration paid during the year ended October 31, 2011 related to prior years' acquisitions totaled \$0.7 million. The additional consideration represents contingent amounts based on financial performance subsequent to the respective acquisition dates and has been recorded as goodwill.

The Company made the following acquisitions during the year ended October 31, 2010:

Diversco

On June 30, 2010, the Company acquired all of the outstanding shares of Diversco, Inc. ("Diversco") from DHI Holdings, Inc. for \$30.6 million in cash and incurred direct acquisition costs of \$0.2 million, which were expensed as incurred. The purchase price was subsequently adjusted to \$30.4 million in connection with a working capital adjustment. Diversco is a national provider of outsourced facility services. The acquisition expanded the geographic reach of the Company's janitorial and security businesses, particularly in the Southeast, Midwest and Mid-Atlantic regions of the United States. The results of operations for Diversco are included in the Company's Janitorial and Security segments as of the acquisition date. Pro forma financial information for this acquisition is not provided as this acquisition is not material to the Company's financial statements.

The allocation of the purchase price to the underlying net assets acquired and liabilities assumed was based on their estimated fair values as of the acquisition date, June 30, 2010, with any excess of the purchase price allocated to goodwill.

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The final purchase price and related allocations are summarized as follows:

(in thousands)

| | |
|--------------------------------|------------------|
| Purchase price: | |
| Total cash consideration | <u>\$ 30,390</u> |
| Allocated to: | |
| Cash and cash equivalents | \$ 2,758 |
| Trade accounts receivable | 9,884 |
| Other assets | 1,244 |
| Property, plant and equipment | 3,063 |
| Identifiable intangible assets | 10,800 |
| Trade accounts payable | (1,327) |
| Accrued liabilities | (7,366) |
| Insurance claims | (1,322) |
| Other liabilities | (450) |
| Goodwill | 13,106 |
| Net assets acquired | <u>\$ 30,390</u> |

The acquired customer contracts and relationships, included in identifiable intangible assets, will be amortized using the sum-of-the-years'-digits method over their useful lives of 11 years, which is consistent with the estimated useful life considerations used in the determination of their fair values. Intangible assets of \$10.8 million were assigned to the Janitorial and Security segments in the amounts of \$9.2 million and \$1.6 million, respectively. Goodwill of \$13.1 million was assigned to the Janitorial and Security segments in the amounts of \$11.1 million and \$2.0 million, respectively, and is deductible for tax purposes. The amounts of intangible assets and goodwill have been assigned to the Janitorial and Security segments based on the respective profit margins of the acquired customer contracts. The goodwill is deductible for tax purposes. The transaction was taxable for income tax purposes and all assets and liabilities have been recorded at fair value for both book and income tax purposes. Therefore, no deferred taxes have been recorded.

L&R

On October 1, 2010, the Company acquired select assets of Five Star Parking, Network Parking Company Ltd., and System Parking, Inc. (collectively, this asset acquisition is referred to as "L&R") from the L&R Group of Companies for an aggregate purchase price of \$34.7 million, including \$0.2 million of assets distributed as consideration. The acquisition extended and expanded the Company's parking business in major cities. The acquisition also expanded the Company's presence at airports. The results of operations of L&R are included in the Company's Parking segment as of the acquisition date. Pro forma financial information for this acquisition is not provided as this acquisition is not material to the Company's financial statements.

The allocation of the purchase price to the underlying net assets acquired and liabilities assumed was based on their estimated fair values as of the acquisition date, with any excess of the purchase price allocated to goodwill.

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The final purchase price and related allocations are summarized as follows:

(in thousands)

| | |
|---|------------------|
| Purchase price: | |
| Cash | \$ 34,500 |
| Fair value of assets distributed | 164 |
| Total consideration | <u>\$ 34,664</u> |
| Allocated to: | |
| Identifiable intangible assets (including favorable leases) | \$ 6,200 |
| Property, plant and equipment | 762 |
| Other assets | 142 |
| Unfavorable leases | (2,600) |
| Goodwill | 30,160 |
| Net assets acquired | <u>\$ 34,664</u> |

The acquired intangible assets and unfavorable leases will be amortized using the sum-of-the-years'-digits method, or where appropriate the straight-line method, over their useful lives: 11 years for managed customer contracts, 4 years for favorable leases, 6 years for unfavorable leases and 10 years for the non-compete agreement, which is consistent with the estimated useful life considerations used in the determination of their fair values. The goodwill is deductible for tax purposes. The transaction was taxable for income tax purposes and all assets and liabilities have been recorded at fair value for both book and income tax purposes. Therefore, no deferred taxes have been recorded.

The Company made the following acquisition during the year ended October 31, 2009:

Control Building Services, Inc., Control Engineering Services, Inc. and TTF, Inc. ("Control")

Effective May 1, 2009, the Company acquired certain assets (primarily customer contracts and relationships) of Control for \$15.1 million in cash, which includes direct acquisition costs of \$0.1 million, plus additional consideration of up to \$1.6 million, payable in three equal installments of \$0.5 million, contingent upon the achievement of certain revenue targets during the three year period commencing on May 1, 2009. The acquisition closed on May 8, 2009 and was accounted for under the purchase method of accounting. The acquisition expands the Company's janitorial and engineering service offerings to clients in the Northeast region.

The final purchase price and related allocations are summarized as follows:

(in thousands)

| | |
|--------------------------------|------------------|
| Purchase price: | |
| Initial payment | \$ 15,000 |
| Acquisition costs | 81 |
| Total cash consideration | <u>\$ 15,081</u> |
| Allocated to: | |
| Identifiable intangible assets | \$ 9,080 |
| Property, plant and equipment | 407 |
| Goodwill | 5,594 |
| Net assets acquired | <u>\$ 15,081</u> |

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The acquired customer contracts and relationships, classified as intangible assets, are amortized using the sum-of-the-years'-digits method over their useful lives of 12 years, which is consistent with the estimated useful life considerations used in the determination of their fair values. Goodwill of \$5.6 million was assigned to the Janitorial and Engineering segments in the amounts of \$4.4 million and \$1.2 million, respectively. Intangible assets were assigned to the Janitorial and Engineering segments in the amounts of \$7.2 million and \$1.9 million, respectively. Pro forma financial information for this acquisition is not provided as this acquisition is not material to the Company's financial statements.

4. FAIR VALUE MEASUREMENTS

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

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

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

Level 3 — Unobservable inputs.

The following tables present the Company's hierarchy for financial assets and liabilities measured at fair value on a recurring basis as of October 31, 2011 and 2010:

| <u>(in thousands)</u> | <u>Fair Value at October 31, 2011</u> | <u>Fair Value Measurements Using Inputs Considered as</u> | | |
|--|---|---|----------------|------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Assets | | | | |
| Assets held in funded deferred compensation plan | \$ 4,717 | \$ 4,717 | \$ — | \$ — |
| Investments in auction rate securities | 15,670 | — | — | 15,670 |
| Total assets | <u>\$ 20,387</u> | <u>\$ 4,717</u> | <u>\$ —</u> | <u>\$ 15,670</u> |
| Liabilities | | | | |
| Interest rate swap | \$ 253 | \$ — | \$ 253 | \$ — |
| Total liabilities | <u>\$ 253</u> | <u>\$ —</u> | <u>\$ 253</u> | <u>\$ —</u> |

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| (in thousands) | Fair Value at October 31, 2010 | Fair Value Measurements Using Inputs Considered as | | |
|--|-----------------------------------|---|---------------|------------------|
| | | Level 1 | Level 2 | Level 3 |
| Assets | | | | |
| Assets held in funded deferred compensation plan | \$ 5,717 | \$ 5,717 | \$ — | \$ — |
| Investments in auction rate securities | 20,171 | — | — | 20,171 |
| Total assets | <u>\$ 25,888</u> | <u>\$ 5,717</u> | <u>\$ —</u> | <u>\$ 20,171</u> |
| Liabilities | | | | |
| Interest rate swap | \$ 445 | \$ — | \$ 445 | \$ — |
| Total liabilities | <u>\$ 445</u> | <u>\$ —</u> | <u>\$ 445</u> | <u>\$ —</u> |

The fair value of the assets held in the funded deferred compensation plan is based on quoted market prices. The assets are included in Other assets on the accompanying consolidated balance sheet.

For investments in auction rate securities that had no market activity indicative of fair market value, the fair value is based on discounted cash flow valuation models, primarily utilizing unobservable inputs. During 2011, the Company had no transfers of assets or liabilities between any of the above hierarchy levels. See Note 5 "Auction Rate Securities," for the roll-forwards of assets measured at fair value using significant unobservable Level 3 inputs.

The fair value of the interest rate swaps are estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for London Interbank Offered Rate forward rates at the end of the period. The fair value is then compared to a valuation received from an independent third-party. See Note 9, "Line of Credit Facility."

Other Financial Assets and Liabilities

Due to the short-term maturities of the Company's cash, cash equivalents, receivables, payables, and current assets of discontinued operations, the carrying value of these financial instruments is estimated to approximate their fair market values. Due to variable interest rates, the fair value of outstanding borrowings under the Company's \$650.0 million line of credit approximates its carrying value of \$300.0 million. The carrying value of the receivables included in non-current assets of discontinued operations of \$0.2 million and the insurance deposits related to self-insurance claims of \$36.0 million approximates fair market value.

5. AUCTION RATE SECURITIES

As of October 31, 2011, the Company holds investments in auction rate securities from four different issuers having an original principal amount of \$5.0 million each (aggregating \$20.0 million). These auction rate securities are debt instruments with stated maturities ranging from 2025 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days. Auctions for these securities have not occurred since August 2007. At October 31, 2011 and 2010, the estimated fair value of these securities, in total, was approximately \$15.7 million and \$20.2 million, respectively. On February 11, 2011, one of the Company's auction rate securities was redeemed by the issuer at its par value of \$5.0 million. No gain or loss was recognized upon its redemption.

For securities that had no market activity indicative of fair market value, the Company estimates the fair values utilizing a discounted cash flow model, which considers, among other factors, assumptions about: (1) the underlying collateral; (2) credit risks associated with the issuer; (3) contractual maturity; (4) credit

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enhancements associated with financial insurance guarantees, if any; and (5) assumptions about when, if ever, the security might be re-financed by the issuer or have a successful auction. Since there can be no assurance that auctions for these securities will be successful in the near future, the Company has classified its auction rate securities as long-term investments.

The following table presents the significant assumptions used to determine the fair value of the Company's auction rate securities at October 31, 2011 and October 31, 2010:

| <u>Assumption</u> | <u>October 31, 2011</u> | <u>October 31, 2010</u> |
|------------------------|-------------------------|-------------------------|
| Discount rates | L + 3.21% - L + 17.50% | L + 2.50% - L + 18.59% |
| Yields | L + 2.0% - L + 3.5% | L + 2.0% - L + 3.5% |
| Average expected lives | 4 - 10 years | 4 - 10 years |

L—London Interbank Offered Rate (One Month)

The Company's determination of whether its auction rate securities are other-than-temporarily impaired is based on an evaluation of several factors, circumstances, and known or reasonably supportable trends including, but not limited to: (1) the Company's intent not to sell the securities; (2) the Company's assessment that it is not more likely than not that the Company will be required to sell the securities before recovering its cost basis; (3) expected defaults; (4) available ratings for the securities or the underlying collateral; (5) the rating of the associated guarantor (where applicable); (6) the nature and value of the underlying collateral expected to service the investment; (7) actual historical performance of the security in servicing its obligations; and (8) actuarial experience of the underlying re-insurance arrangement (where applicable), which in certain circumstances may have preferential rights to the underlying collateral.

The Company's determination of whether an other-than-temporary impairment represents a credit loss is based upon the difference between the present value of the expected cash flows to be collected and the amortized cost basis of the security. Significant assumptions used in estimating the credit loss include: (1) default rates for the security and the mono-line insurer, if any (which are based on published historical default rates of similar securities and consideration of current market trends); and (2) the expected life of the security (which represents the Company's view of when market efficiencies for securities may be restored). Adverse changes in any of these factors could result in additional declines in fair value and further other-than-temporary impairments in the future. There were no other-than-temporary impairments identified during 2011.

The following tables present the changes in the cost basis and fair value of the Company's auction rate securities for the years ended October 31, 2011 and 2010:

| <u>(in thousands)</u> | <u>Cost Basis</u> | <u>Fair Value (Level 3)</u> |
|----------------------------------|-------------------|---------------------------------|
| Balance at beginning of year | \$ 23,307 | \$ 20,171 |
| Unrealized gains | — | 537 |
| Unrealized losses | — | (38) |
| Redemption of security by issuer | (5,000) | (5,000) |
| Balance at October 31, 2011 | <u>\$ 18,307</u> | <u>\$ 15,670</u> |

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| <u>(in thousands)</u> | <u>Cost Basis</u> | <u>Fair Value (Level 3)</u> |
|---|-------------------|-----------------------------|
| Balance at beginning of year | \$ 23,434 | \$ 19,531 |
| Unrealized gains | — | 1,075 |
| Unrealized losses | — | (435) |
| Other-than-temporary credit loss recognized in earnings | (127) | — |
| Balance at October 31, 2010 | <u>\$ 23,307</u> | <u>\$ 20,171</u> |

At October 31, 2011 and 2010, unrealized losses of \$2.6 million (\$1.6 million net of tax) and \$3.1 million (\$1.9 million net of tax) were recorded in accumulated other comprehensive loss, respectively.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at October 31, 2011 and 2010 consisted of the following:

| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|------------------|------------------|
| Land | \$ 907 | \$ 628 |
| Buildings | 5,319 | 4,922 |
| Transportation equipment | 3,561 | 2,113 |
| Machinery and other equipment | 53,280 | 53,996 |
| Leasehold improvements | 17,176 | 16,367 |
| Computer equipment and software | 77,585 | 78,946 |
| | <u>157,828</u> | <u>156,972</u> |
| Less: Accumulated depreciation | 97,819 | 98,884 |
| Total | <u>\$ 60,009</u> | <u>\$ 58,088</u> |

Depreciation expense on property, plant and equipment in the years ended October 31, 2011, 2010 and 2009 were \$29.4 million, \$24.9 million and \$21.9 million, respectively.

7. GOODWILL AND OTHER INTANGIBLES

Goodwill

The changes in the carrying amount of goodwill for the years ended October 31, 2011 and 2010 were as follows:

| <u>(in thousands)</u> | <u>Balance as of October 31, 2010</u> | <u>Goodwill Related to</u> | | <u>Balance as of October 31, 2011</u> |
|-----------------------|---------------------------------------|--|---|---------------------------------------|
| | | <u>Initial Payments for Acquisitions (1)</u> | <u>Contingent Amounts and Other (2)</u> | |
| Janitorial | \$ 471,328 | \$ — | \$ (2,096) | \$ 469,232 |
| Engineering | 3,549 | 156,134 | 2,852 | 162,535 |
| Parking | 69,168 | — | — | 69,168 |
| Security | 49,938 | — | — | 49,938 |
| Total | <u>\$ 593,983</u> | <u>\$ 156,134</u> | <u>\$ 756</u> | <u>\$ 750,872</u> |

- (1) Refer to Note 3, "Acquisitions" for additional discussions regarding acquisitions the Company made in the year ended October 31, 2011.
- (2) Effective November 1, 2010, the Company changed the management reporting responsibility for a subsidiary from the Janitorial segment to the Engineering segment. As a result of the organizational change, the Company reclassified the goodwill associated with this subsidiary from the Janitorial segment to the Engineering segment which amounted to \$2.9 million.

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| (in thousands) | Balance as of October 31, 2009 | Goodwill Related to | | Balance as of October 31, 2010 |
|----------------|-----------------------------------|---|------------------------------------|-----------------------------------|
| | | Initial Payments for Acquisitions (1) | Contingent Amounts and Other | |
| Janitorial | \$ 459,068 | \$ 11,140 | \$ 1,120 | \$ 471,328 |
| Engineering | 3,356 | — | 193 | 3,549 |
| Parking | 36,841 | 30,160 | 2,167 | 69,168 |
| Security | 47,972 | 1,966 | — | 49,938 |
| Total | \$ 547,237 | \$ 43,266 | \$ 3,480 | \$ 593,983 |

(1) Refer to Note 3, "Acquisitions" for additional discussions regarding acquisitions the Company made in the year ended October 31, 2010

Of the \$750.9 million carrying amount of goodwill as of October 31, 2011, \$341.3 million was not amortizable for income tax purposes because the related businesses were acquired prior to 1991 or purchased through a tax-free exchange or stock acquisition.

Based on the Company's annual goodwill impairment test related to its Security reporting unit, the Company has concluded that deterioration in general market conditions, or conditions affecting the security industry, or the Company's inability to execute its operating plan might result in an impairment of goodwill related to the Security reporting unit in the future.

Intangible Assets

The changes in the gross carrying amount and accumulated amortization of intangibles other than goodwill for the years ended October 31, 2011 and 2010 were as follows:

| (in thousands) | Gross Carrying Amount | | | Accumulated Amortization | | |
|--------------------------------------|-----------------------|-----------|---------------------|--------------------------|-------------|---------------------|
| | October 31, 2010 | Additions | October 31, 2011 | October 31, 2010 | Additions | October 31, 2011 |
| Customer contracts and relationships | \$ 113,822 | \$ 86,000 | \$ 199,822 | \$ (49,952) | \$ (22,655) | \$ (72,606) |
| Trademarks and trade names | 4,150 | 1,000 | 5,150 | (3,445) | (779) | (4,224) |
| Other (contract rights, etc.) | 2,691 | — | 2,691 | (1,492) | (346) | (1,838) |
| Total | \$ 120,663 | \$ 87,000 | \$ 207,663 | \$ (54,889) | \$ (23,780) | \$ (78,669) |

| (in thousands) | Gross Carrying Amount | | | Accumulated Amortization | | |
|--------------------------------------|-----------------------|-----------|---------------------|--------------------------|-------------|---------------------|
| | October 31, 2009 | Additions | October 31, 2010 | October 31, 2009 | Additions | October 31, 2010 |
| Customer contracts and relationships | \$ 97,522 | \$ 16,300 | \$ 113,822 | \$ (38,853) | \$ (11,099) | \$ (49,952) |
| Trademarks and trade names | 4,150 | — | 4,150 | (3,335) | (110) | (3,445) |
| Other (contract rights, etc.) | 1,991 | 700 | 2,691 | (1,276) | (216) | (1,492) |
| Total | \$ 103,663 | \$ 17,000 | \$ 120,663 | \$ (43,464) | \$ (11,425) | \$ (54,889) |

Of the \$129.0 million net carrying amount of intangibles other than goodwill as of October 31, 2011, \$32.4 million was not amortizable for income tax purposes because the related businesses were purchased through tax-free stock acquisitions.

The weighted average remaining lives as of October 31, 2011 and the amortization expense of intangibles for the years ended October 31, 2011, 2010 and 2009, as well as the estimated amortization expense for such intangibles for each of the five succeeding fiscal years, are as follows:

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| (\$ in thousands) | Weighted Average Remaining Life (Years) | Amortization Expense | | | Estimated Amortization Expense | | | | |
|--------------------------------------|---|----------------------------|------------------|------------------|--------------------------------|------------------|------------------|------------------|------------------|
| | | Years Ended October 31, | | | Years Ending October 31, | | | | |
| | | 2011 | 2010 | 2009 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Customer contracts and relationships | 11.6 | \$ 22,655 | \$ 11,099 | \$ 10,872 | \$ 21,411 | \$ 19,164 | \$ 17,061 | \$ 14,994 | \$ 12,941 |
| Trademarks and tradenames | 4.6 | 779 | 110 | 313 | 198 | 140 | 140 | 140 | 140 |
| Other (contract rights, etc.) | 3.5 | 346 | 216 | 199 | 298 | 213 | 171 | 27 | 27 |
| Total | 11.5 | \$ 23,780 | \$ 11,425 | \$ 11,384 | \$ 21,907 | \$ 19,517 | \$ 17,372 | \$ 15,161 | \$ 13,108 |

8. SELF-INSURANCE

The Company self-insures certain insurable risks, such as workers' compensation, general liability, automobile and property damage. The Company maintains commercial insurance policies that provide \$150.0 million (or \$75.0 million with respect to claims acquired from OneSource in the year ended October 31, 2008) of coverage for certain risk exposures above the Company's deductibles (i.e., self-insurance retention limits). For claims incurred after November 1, 2002, substantially all of the self-insured retentions increased from \$0.5 million per occurrence (inclusive of allocated loss adjustment expenses) to \$1.0 million per occurrence (exclusive of allocated loss adjustment expenses), except for California workers' compensation insurance which increased to \$2.0 million, in the aggregate, from April 14, 2003 to April 14, 2005 (\$1.0 million per occurrence, plus an additional \$1.0 million annually in the aggregate). The Company allocates current-year insurance expense to its operating segments based upon their underlying exposures.

The Company periodically performs a thorough review, with the assistance of external professionals, of its estimate of the ultimate cost for self-insurance reserves. The independent external third-party's actuarial estimate of the reserves is reviewed by management and forms the basis for management's best estimate of the reserves, as recorded in the Company's financial statements. Although the Company engages third-party experts to assist in estimating appropriate self-insurance reserves, the determination of those reserves is dependent upon significant actuarial judgments and interpretations of trends that have a material impact on the Company's reserves. If analyses of losses suggest that the frequency or severity of claims incurred has changed, the Company would be required to record increases or decreases in expenses for self-insurance liabilities. All increases or decreases to the Company's prior year self-insurance liabilities are recorded in the Corporate segment.

The table below summarizes the self-insurance reserve adjustments resulting from periodic actuarial evaluations of ultimate losses relating to prior years during the years ended October 31, 2011, 2010 and 2009. Such amounts are not allocated to the Company's operating segments and are recorded in the Corporate segment.

| (in thousands) | Years ended October 31, | | |
|--------------------|-------------------------|-----------------|-----------------|
| | 2011 | 2010 | 2009 |
| Major programs (1) | \$ 1,399 | \$ 799 | \$ 9,435 |
| Minor programs (2) | 682 | 417 | — |
| Total | \$ 2,081 | \$ 1,216 | \$ 9,435 |

- As described above, the Company is self-insured for workers' compensation, general liability, automobile, and property damage. During 2009, the Company was negatively impacted by the effects of unfavorable developments in workers' compensation claims in California and other states, certain case law decisions which resulted in a more favorable atmosphere for injured workers, and existing claims in California being updated by injured workers to add additional medical conditions to the original claims. During 2010 and 2011, higher than expected losses in workers' compensation and general liability claims resulted in increased losses, attributed to claims incurred in prior years.
- Separate evaluations of insurance reserves related to certain Janitorial and Parking locations showed unfavorable claims developments in 2010 and 2011, resulting in increased losses, attributable to claims incurred in prior years.

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With respect to certain reserves related to the operation of Linc, the Company was a member, in good standing, of a group captive insurance company to which it paid premiums for Linc's exposures related to workers' compensation, general liability, and auto programs. The Company elected not to renew its relationship with the captive effective August 31, 2011, and effective September 1, 2011 all Linc exposures previously included in the group captive have been migrated into the Company's main insurance program. Based primarily on the Company's loss experience as a member of the captive, the Company is subject to assessments of additional premiums, subject to a defined annual cap. The Company has accrued for such additional exposure through the date of termination from the group captive as deemed probable and estimable. The Company will continue to perform periodic actuarial assessments of its loss experience for policy years in which it was a member of the group captive and will adjust its reserves as appropriate.

At October 31, 2011, the Company had \$96.8 million in standby letters of credit (primarily related to its workers' compensation, general liability, automobile, and property damage programs), \$36.0 million in restricted insurance deposits, and \$231.5 million in surety bonds (of which \$30.9 million supported insurance claim liabilities). At October 31, 2010, the Company had \$100.8 million in standby letters of credit, \$36.2 million in restricted insurance deposits and \$112.5 million in surety bonds (of which \$29.3 million supported insurance claim liabilities).

9. LINE OF CREDIT FACILITY

On November 30, 2010, the Company terminated its then existing \$450 million five-year syndicated line of credit and replaced it with a new \$650 million five-year syndicated line of credit (the "new Facility"). On June 3, 2011, the Company entered into an amendment to the Facility which revises the definition of "permitted acquisitions". On September 8, 2011, the Company entered into a second amendment to the Facility, which amendment: (a) reduces the "Applicable Rate" relating to borrowings under the Facility; (b) extends the maturity date under the Facility to September 8, 2016; and (c) revises the definition of "Permitted Acquisition" under the Facility. The Company has the option to increase the size of the new Facility to \$850 million at any time prior to the expiration (subject to receipt of commitments for the increased amount from existing and new lenders). Borrowings under the new Facility were used in part to acquire Linc on December 1, 2010, as well as pay down the outstanding balances under the terminated line of credit. The new Facility is available for working capital, the issuance of standby letters of credit, the financing of capital expenditures and other general corporate purposes, including acquisitions.

Under the new Facility, no compensating balances are required and the interest rate is determined at the time of borrowing based on the Company's leverage ratio (as defined in the new Facility), the Interbank Offered Rate plus a spread of 1.00% to 1.75% or, at the Company's election, base rate loans plus a spread of 0% to 0.75%. The Facility calls for a non-use fee, based on the leverage ratio, payable quarterly, in arrears, of 0.225% to 0.300% of the average daily unused portion of the Facility. For purposes of this calculation, irrevocable standby letters of credit issued primarily in conjunction with the Company's self-insurance program and cash borrowings are included as usage of the new Facility. The spreads for LIBOR and the Alternate Base Rate and the non-use fee percentage are based on the Company's leverage ratio.

The new Facility includes covenants limiting liens, dispositions, fundamental changes, investments, indebtedness, and certain transactions and payments. In addition, the new Facility also requires that the Company maintain three financial covenants: (1) a fixed charge coverage ratio greater than or equal to 1.50 to 1.0 at any time; (2) a leverage ratio of less than or equal to 3.25 to 1.0 at each fiscal quarter-end; and (3) a consolidated net worth of greater than or equal to the sum of (i) \$570.0 million, (ii) an amount equal to 50% of the consolidated net income earned in each full fiscal quarter ending after November 30, 2010 (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 the Company after November 30, 2010 by reason of the

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issuance and sale of capital stock or other equity interests of the Company or any subsidiary, including upon any conversion of debt securities of the Company into such capital stock or other equity interests, but excluding by reason of the issuance and sale of capital stock pursuant to the Company's employee stock purchase plans, employee stock option plans and similar programs. The Company was in compliance with all covenants as of October 31, 2011.

If an event of default occurs under the new Facility, including certain cross-defaults, insolvency, change in control, and violation of specific covenants, among others, the lenders can terminate or suspend the Company's access to the new Facility, declare all amounts outstanding under the new Facility, including all accrued interest and unpaid fees, to be immediately due and payable, and/or require that the Company cash collateralize the outstanding letter of credit obligations.

As of October 31, 2011, the total outstanding amounts under the new Facility in the form of cash borrowings and standby letters of credit were \$300.0 million and \$96.8 million, respectively.

Interest Rate Swaps

On February 19, 2009, the Company entered into a two-year interest rate swap agreement with an underlying notional amount of \$100.0 million, pursuant to which the Company received variable interest payments based on LIBOR and paid fixed interest at a rate of 1.47%. This interest rate swap expired on February 19, 2011.

On October 19, 2010, the Company entered into a three-year forward starting interest rate swap agreement with an underlying notional amount of \$25.0 million, pursuant to which the Company receives variable interest payments based on LIBOR and pays fixed interest at a rate of 0.89%. The effective date of this hedge was February 24, 2011. This swap is intended to hedge the interest risk associated with the Company's forecasted floating-rate, LIBOR-based debt.

As of October 31, 2011, the fair value of the remaining interest rate swap was a \$0.3 million liability, which was included in retirement plans and other on the accompanying consolidated balance sheet. The effective portion of this cash flow hedge is recorded within accumulated other comprehensive loss and reclassified into interest expense in the same period during which the hedged transactions affect earnings. The amount included in accumulated other comprehensive loss is \$0.3 million (\$0.2 million, net of taxes) at October 31, 2011.

10. EMPLOYEE BENEFIT PLANS

As of October 31, 2011, the Company had the following defined benefit and other post-retirement benefit plans, which provide benefits based primarily on years of service and employee earnings and which have been previously amended to preclude new participants:

Supplemental Executive Retirement Plan. The Company has unfunded retirement agreements for certain current and former senior executives. The retirement agreements provide for monthly benefits for ten years commencing at the later of the respective retirement dates of those executives or age 65. The benefits are accrued over the vesting period. Effective December 31, 2002, this plan was amended to preclude new participants.

Service Award Benefit Plan. The Company has an unfunded service award benefit plan that meets the definition of a "severance pay plan" as defined by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and covers certain qualified employees. The plan provides participants, upon termination, with a guaranteed seven days pay for each year of employment subsequent to November 1, 1989. Effective January 1, 2002, no new participants were permitted under this plan. The Company will continue to incur interest costs related to this plan as the value of the previously earned benefits continues to increase.

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OneSource Employees' Retirement Pension Plan ("OneSource Pension Plan"). The Company acquired OneSource on November 14, 2007, which sponsored a funded, qualified employee retirement plan. The plan was amended to preclude participation and benefit accruals several years prior to the acquisition.

Death Benefit Plan. The Company's unfunded Death Benefit Plan covers certain qualified employees upon retirement on, or after, the employee's 62nd birthday. This plan provides 50% of the death benefit that the employee was entitled to prior to retirement, subject to a maximum of \$150,000. Coverage commencing upon retirement, or 62nd birthday, continues until death for retired employees hired before September 2, 1980. On March 1, 2003, the post-retirement death benefit for any active employees hired after September 1, 1980 was eliminated. Active employees hired before September 1, 1980 who retire on or after their 62nd birthday will continue to be covered between retirement and death. For certain plan participants who retired before March 1, 2003, the post-retirement death benefit continues until the retired employee's 70th birthday. An exemption to the "age 62" retirement rule has been made for certain employees who were terminated as a result of the Company's restructuring to a corporate shared service center.

OneSource Post-Retirement Medical and Life Benefit Plan. OneSource sponsored a post-retirement benefit plan that provides medical and life insurance benefits to certain OneSource retirees. Since the date of acquisition, new participants have been precluded from participation.

Benefit Obligation and Net Obligation Recognized in Financial Statements

The significant components of the above mentioned plans as of and for the years ended October 31, 2011 and 2010 are summarized as follows:

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| (in thousands) | Defined Benefit Plans at October 31, | | Post-Retirement Benefit Plan at October 31, | |
|---|--------------------------------------|-------------------|---|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$ 12,018 | \$ 11,528 | \$ 5,297 | \$ 5,273 |
| Service cost | 46 | 44 | 13 | 15 |
| Interest cost | 569 | 592 | 256 | 281 |
| Actuarial loss | 944 | 1,126 | 329 | 143 |
| Benefits and expenses paid | (1,502) | (1,272) | (300) | (415) |
| Benefit obligation at end of year | <u>\$ 12,075</u> | <u>\$ 12,018</u> | <u>\$ 5,595</u> | <u>\$ 5,297</u> |
| Change in Plan Assets | | | | |
| Fair value of plan assets at beginning of year | \$ 5,589 | \$ 4,736 | \$ — | \$ — |
| Actual return on plan assets | 176 | 615 | — | — |
| Employer contributions | 1,654 | 1,510 | 300 | 415 |
| Benefits and expenses paid | (1,502) | (1,272) | (300) | (415) |
| Fair value of plan assets at end of year | <u>\$ 5,917</u> | <u>\$ 5,589</u> | <u>\$ —</u> | <u>\$ —</u> |
| Unfunded status at end of year | <u>\$ (6,158)</u> | <u>\$ (6,429)</u> | <u>\$ (5,595)</u> | <u>\$ (5,297)</u> |
| Current liabilities | (1,001) | (1,001) | (301) | (277) |
| Non-current liabilities | (5,157) | (5,428) | (5,294) | (5,020) |
| Net obligation | <u>\$ (6,158)</u> | <u>\$ (6,429)</u> | <u>\$ (5,595)</u> | <u>\$ (5,297)</u> |
| Total affecting retained earnings | \$ (3,765) | \$ (4,936) | \$ (5,315) | \$ (5,347) |
| Amount recognized in accumulated other comprehensive income | (2,393) | (1,493) | (280) | 50 |
| Net obligation | <u>\$ (6,158)</u> | <u>\$ (6,429)</u> | <u>\$ (5,595)</u> | <u>\$ (5,297)</u> |

Components of Net Periodic Benefit Cost Recognized in the Accompanying Consolidated Statement of Income

The components of net periodic benefit cost of the defined benefit and other post-retirement benefit plans for the years ended October 31, 2011, 2010 and 2009 were as follows:

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| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------------------------|---------------|---------------|---------------|
| Defined Benefit Plans | | | |
| Service cost | \$ 46 | \$ 44 | \$ 42 |
| Interest | 569 | 592 | 811 |
| Expected return on assets | (373) | (399) | (321) |
| Amortization of actuarial loss | 114 | 66 | 115 |
| Settlement loss recognized | 126 | 91 | 349 |
| Net expense | <u>\$ 482</u> | <u>\$ 394</u> | <u>\$ 996</u> |
| Post-Retirement Benefit Plans | | | |
| Service cost | \$ 13 | \$ 15 | \$ 12 |
| Interest | 256 | 281 | 276 |
| Amortization of actuarial gain | — | — | (202) |
| Net expense | <u>\$ 269</u> | <u>\$ 296</u> | <u>\$ 86</u> |

In the year ending October 31, 2012, the Company expects to recognize, on a pre-tax basis, less than \$0.1 million of net actuarial gains as a component of net periodic benefit cost.

Assumptions

The weighted average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended October 31, 2011, 2010 and 2009 were as follows:

| <u>Assumptions to measure net periodic cost</u> | <u>Defined Benefit Plans</u> | | | <u>Post-Retirement Benefit Plan</u> | | |
|--|------------------------------|---------------------|--------------|-------------------------------------|---------------------|--------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Discount rate | 4.50% -4.98% | 5.50% | 7.00% | 4.31% -5.02% | 5.50% | 7.00% |
| Rate of health care cost increase | NA | NA | NA | 4.50% -8.00% | 5.50% | 6.00% |
| Rate of compensation increase | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| Rate of return on plan assets | <u>8.00%</u> | <u>8.00%</u> | <u>8.00%</u> | <u>NA</u> | <u>NA</u> | <u>NA</u> |
| Assumptions to measure obligation at year end | | | | | | |
| Discount rate | <u>4.12% -4.51%</u> | <u>4.50% -4.98%</u> | <u>5.50%</u> | <u>4.04% -4.56%</u> | <u>4.31% -5.02%</u> | <u>5.50%</u> |

The discount rate is used for determining future net periodic benefit cost. The Company's discount rates were determined, as of the October 31, 2011 measurement date, using the individual cash flows of each plan. In determining the long-term rate of return for a plan, the Company considers the nature of the plan's investments, historical rates of return, and an expectation for the plan's investment strategies. All defined benefit and post-retirement plans have been amended to preclude new participants. The Company believes changes in assumptions would not have a material impact on the Company's financial position and operating performance. The Company expects to fund payments required under the plans with cash flows from operating activities when due in accordance with the plans.

Expected Future Benefit Payments

The expected future benefit payments were calculated using the same assumptions used to measure the Company's benefit obligation as of October 31, 2011. This expectation is based upon expected future service:

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| <u>(in thousands)</u> | <u>Defined Benefit Plans</u> | <u>Post- Retirement Benefit Plan</u> |
|-----------------------|----------------------------------|--|
| 2012 | \$ 1,500 | \$ 301 |
| 2013 | 804 | 310 |
| 2014 | 843 | 318 |
| 2015 | 849 | 327 |
| 2016 | 750 | 336 |
| 2017 through 2021 | <u>\$ 3,817</u> | <u>\$ 1,828</u> |

OneSource Pension Plan

The OneSource Pension Plan is a funded benefit plan that requires an estimate of the long-term rate of return on plan assets to measure benefit obligations. The expected long-term rate of return on plan assets represents the rate of earnings expected in the funds invested to provide for anticipated benefit payments. With input from the Company's investment advisors and actuaries, the Company has analyzed the expected rates of return on assets and determined that an estimated long-term rate of return of 8.0% is reasonable based on: (1) the current and expected asset allocations; (2) the plan's historical investment performance; and (3) best estimates for future investment performance. The obligation attributable to medical benefits is small, as is the future obligation that varies with changes in compensation. Accordingly, changes in the health care trend assumption rate and the compensation increase assumption have an immaterial impact on measuring the obligation.

The investment objectives for the assets associated with the OneSource Pension Plan are to maintain acceptable levels of risk through the diversification of assets among asset classes and to optimize long-term returns. The Company is responsible for selecting investment managers, setting asset allocation targets and monitoring asset allocations and investment performance. The Company's external investment professionals have the authority to manage assets within pre-established asset allocation ranges set by the Company. The OneSource Pension Plan is the Company's only funded defined benefit plan.

The target allocation ranges and asset allocations for the year ended October 31, 2011 were:

| <u>Asset Category</u> | <u>Target Allocation 2011</u> | <u>Percentage of Plan Assets 2011</u> |
|-----------------------|---------------------------------------|---|
| Equity | 53%-73% | 63% |
| Fixed Income | 27%-47% | 37% |

The following tables presents the Company's hierarchy for the assets associated with the OneSource Pension Plan measured at fair value as of October 31, 2011 and 2010:

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| (in thousands) | Fair Value at October 31, 2011 | Fair Value Measurements Using Inputs Considered as | | |
|---------------------------|-----------------------------------|---|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 1,276 | \$ 1,276 | \$ — | \$ — |
| Equity | | | | |
| Large-Cap Growth | 1,090 | 1,090 | — | — |
| Large-Cap Value | 1,090 | 1,090 | — | — |
| Small/Mid-Cap Growth | 140 | 140 | — | — |
| Small/Mid-Cap Value | 140 | 140 | — | — |
| International Equity | 464 | 464 | — | — |
| Fixed Income | | | | |
| Long-Term Bond | 157 | 157 | — | — |
| Intermediate Bond | 789 | 789 | — | — |
| Short-Term Bond | 771 | 771 | — | — |
| | <u>\$ 5,917</u> | <u>\$ 5,917</u> | <u>\$ —</u> | <u>\$ —</u> |

| (in thousands) | Fair Value at October 31, 2010 | Fair Value Measurements Using Inputs Considered as | | |
|---------------------------|-----------------------------------|---|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Cash and cash equivalents | \$ 924 | \$ 924 | \$ — | \$ — |
| Equity | | | | |
| Large-Cap Growth | 1,095 | 1,095 | — | — |
| Large-Cap Value | 1,095 | 1,095 | — | — |
| Small/Mid-Cap Growth | 140 | 140 | — | — |
| Small/Mid-Cap Value | 140 | 140 | — | — |
| International Equity | 466 | 466 | — | — |
| Fixed Income | | | | |
| Long-Term Bond | 159 | 159 | — | — |
| Intermediate Bond | 794 | 794 | — | — |
| Short-Term Bond | 776 | 776 | — | — |
| | <u>\$ 5,589</u> | <u>\$ 5,589</u> | <u>\$ —</u> | <u>\$ —</u> |

Deferred Compensation Plans

The Company accounts for deferred compensation and accrues interest thereon for employees who elect to participate in one of the following Company plans:

Employee Deferred Compensation Plan. This plan is available to executive, management, administrative and sales employees who have an annualized base salary that equals or exceeds \$135,000 for the year ended October 31, 2011. This plan allows employees to defer 1% to 50% of their pre-tax compensation. The average rate of interest earned by the employees in this plan was 3.25%, 3.25% and 3.31% for the years ending October 31, 2011, 2010 and 2009, respectively.

Director Deferred Compensation Plan. This plan allows directors to defer receipt of all or any portion of the compensation that he or she would otherwise receive from the Company. The average rate of interest earned by the directors in this plan was 3.25%, 3.25%, and 3.31% for the years ending October 31, 2011, 2010, and 2009, respectively.

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The deferred compensation under both the Employee and Director Deferred Compensation Plans earns interest equal to the prime interest rate on the last day of the calendar quarter. If the prime rate exceeds 6%, the interest rate is equal to 6% plus one half of the excess over 6%. Interest earned under both deferred compensation plans is capped at 120% of the long-term applicable federal rate as discussed in the plans.

OneSource Deferred Compensation Plan. The Company acquired OneSource on November 14, 2007, which sponsored a deferred compensation plan. Under this deferred compensation plan, a Rabbi Trust was created to fund the obligation. The plan requires the Company to contribute 50% of the participant's deferred compensation contributions but only to the extent that the deferred contribution does not exceed 5% of the participant's compensation for the contribution allocation period. This liability is adjusted, with a corresponding charge (or credit) to the deferred compensation cost, to reflect changes in the fair value. On December 31, 2008, the plan was amended to preclude new participants. The assets held in the rabbi trust are not available for general corporate purposes.

Aggregate expense recognized under these deferred compensation plans for the years ended October 31, 2011, 2010 and 2009 were \$0.4 million, \$0.4 million and \$0.3 million, respectively. The total long-term liability of all deferred compensation plans at October 31, 2011 and 2010 was \$15.5 million and \$15.3 million (excluding the fair value of the assets held in the Rabbi Trust), respectively, and is included in Retirement plans and other on the accompanying consolidated balance sheet. The fair value of the assets held in the Rabbi Trust at October 31, 2011 and 2010 was \$4.7 million and \$5.7 million, respectively.

401(k) Plan

The Company has six 401(k) savings plans covering certain employees, as set forth in the respective plan documents. These 401(k) plans are subject to the applicable provisions of ERISA. Certain plans permit a Company match of a portion of the participant's contributions after the participant has met the eligibility requirements set forth in the plan. The Company made matching 401(k) contributions required by the 401(k) plans during the years ended October 31, 2011, 2010 and 2009 in the amounts of \$8.3 million, \$6.2 million and \$6.2 million, respectively.

Pension Plans Under Collective Bargaining

Certain qualified employees of the Company are covered under union-sponsored multiemployer defined benefit plans. Contributions paid for these plans were \$63.2 million, \$58.2 million and \$47.9 million during the years ended October 31, 2011, 2010 and 2009, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

11. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company is contractually obligated to make future payments under non-cancelable operating lease agreements for various facilities, vehicles, and other equipment. As of October 31, 2011, future minimum lease commitments (excluding contingent rentals) under non-cancelable operating leases for the fiscal years ending October 31 are as follows:

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(in thousands)

| | | |
|---------------------------------|----|----------------|
| 2012 | \$ | 70,662 |
| 2013 | | 59,483 |
| 2014 | | 45,961 |
| 2015 | | 30,337 |
| 2016 | | 18,129 |
| Thereafter | | 43,657 |
| Total minimum lease commitments | \$ | <u>268,229</u> |

Rental expense for continuing operations for the years ended October 31, 2011, 2010 and 2009 was as follows:

| | | | |
|-----------------------|-------------------|-------------------|-------------------|
| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Minimum rentals | \$ 101,640 | \$ 69,571 | \$ 63,774 |
| Contingent rentals | 31,767 | 36,631 | 38,522 |
| | <u>\$ 133,407</u> | <u>\$ 106,202</u> | <u>\$ 102,296</u> |

Contingent rentals are applicable to leases of parking lots and garages and are primarily based on percentages of the gross receipts or other financial parameters attributable to the related facilities.

IBM Master Professional Services Agreement

On October 11, 2011, the Company entered into a Termination Agreement (the "Termination Agreement") with International Business Machines Corporation ("IBM") pursuant to which the parties agreed to terminate services currently being provided by IBM to the Company pursuant to a Master Professional Services Agreement dated October 1, 2006, as such agreement has been amended (the "Master Professional Services Agreement"). Under the Master Professional Services Agreement, the Company and IBM have entered into a statement of work relating to the design and build by IBM of the Company's new primary data center in Alpharetta, Georgia and a statement of work relating to the relocation by IBM of certain Company IT environments now supported by IBM to the new data center. The Termination Agreement provides that services under the Master Professional Services Agreement shall terminate effective as of the successful completion of the design and build of the Company's new primary data center and the relocation of the data centers currently supported by IBM to that data center, both of which are expected to be completed by February 29, 2012.

The Termination Agreement provides that the Master Professional Services Agreement is being terminated without penalty. During the fourth quarter of 2011, the Company wrote-off \$1.5 million of deferred costs associated with the Master Professional Services Agreement.

As of October 31, 2011, the Company's future commitments related to the IBM Amended Agreement is \$1.1 million payable over the service term, which is estimated to end on February 29, 2012.

Other Commitments

As of October 31, 2011, future commitments related to other commitments for succeeding fiscal years were as follows:

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(in thousands)

| | |
|------------|------------------|
| 2012 | 5,066 |
| 2013 | 4,000 |
| 2014 | 1,402 |
| 2015 | — |
| 2016 | — |
| Thereafter | — |
| Total | <u>\$ 10,468</u> |

Guarantees/Indemnifications

The Company has applied the measurement and disclosure provisions outlined in the FASB guidance related to guarantor's accounting and disclosure requirements for guarantees, including indirect guarantees of the indebtedness of others, included in ASC 460 "Guarantees" ("ASC 460") to agreements that contain guarantee and certain indemnification clauses. ASC 460 requires that upon issuance of a guarantee, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under the guarantee. As of October 31, 2011 and 2010, the Company did not have any material guarantees that were issued or modified subsequent to October 31, 2002.

However, the Company is party to a variety of agreements under which it may be obligated to indemnify the other party for certain matters. Primarily, these agreements are standard indemnification arrangements entered into 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 clients, 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 terms of these indemnification arrangements are generally perpetual. Although the Company attempts to place limits on this indemnification reasonably related to the size of the contract, the maximum obligation may not be 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.

The Company'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. The Company has also entered into indemnification agreements with its directors to this effect. The overall amount of these obligations cannot be reasonably estimated; however, the Company believes that any loss under these obligations would not have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company currently has directors' and officers' insurance, which has a deductible of up to \$1.0 million.

Contingencies

The Company has been named a defendant in various proceedings arising in the ordinary course of business, including class actions and purported class actions. Litigation outcomes are difficult to predict and are often resolved over long periods of time. Estimating probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. At October 31, 2011, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was \$5.6 million.

The Company does not accrue for contingent losses that, in the judgment of the Company, are considered to be reasonably possible but not probable. Management currently estimates that the potential exposure for all probable and reasonably possible cases for which an estimate of loss can be made might total up to \$13.2 million. Factors underlying this estimate will change from time to time, and actual results may vary significantly from this estimate. Those matters for which the Company cannot reasonably

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estimate potential losses are not included within this estimated amount and, therefore, this estimated amount does not represent the Company's maximum potential loss exposure. The ultimate resolution of such matters is always uncertain and any such proceeding brought against the Company could have a material adverse impact on its financial condition and results of operations.

The Company is, or during 2011 was, a defendant in, among others, the following class action or purported class action lawsuits related to alleged violations of federal and/or state wage-and-hour laws:

- the consolidated cases of Augustus, Hall and Davis v. American Commercial Security Services (ACSS) filed July 12, 2005, in the Superior Court of California, Los Angeles County (the "Augustus case");
- the consolidated case of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (the "Batiz case")
- the consolidated cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco (the "Bucio case");
- the consolidated cases of Diaz/Morales/Reyes v. Ampco System Parking filed on December 5, 2006, in L.A. Superior Court (the "Diaz case");
- Khadera v. American Building Maintenance Co.-West and ABM Industries filed on March 24, 2008, in U.S District Court of Washington, Western District (the "Khadera case");
- Simpson v. ABM Janitorial Services-Northwest, Inc., and ABM Industries Incorporated filed on September 24, 2010 in the Superior Court for the State of Washington in and for King County (the "Simpson case"); and
- Villacres v. ABM Security filed on August 15, 2007, in the U.S. District Court of California, Central District (the "Villacres case").

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

Augustus

The Augustus case involves allegations that the Company violated certain state laws relating to meal and rest breaks. On January 8, 2009, the Augustus case was certified as a class action by the Superior Court of California, Los Angeles County. On October 6, 2010, the Company moved to decertify the class and for summary judgment. Plaintiffs also moved for summary judgment on the rest break claim. On December 28, 2010, the Superior Court de-certified the portion of the class related to the meal break claims and granted summary judgment for the plaintiffs with respect to the rest break issue. On July 11, 2011, the Court closed the class period as of July 1, 2011 and vacated the previously scheduled trial date of September 12, 2011. No trial date has been scheduled. An estimate of the potential exposure, if any, cannot be made at this time.

Batiz

The Company was a defendant in the previously reported consolidated cases of Batiz/Heine v. ACSS filed on June 7, 2006, in the U.S. District Court of California, Central District (the "Batiz case"). The Batiz case involved allegations relating to unpaid overtime. On September 29, 2010, the Batiz case was decertified as a class action by the United States District Court of California, Central District, and all opt-in plaintiffs were dismissed without prejudice. During the three months ended April 30, 2011, the Company settled this case and paid an aggregate amount of approximately \$0.3 million in connection with the settlement.

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Bucio

In connection with the Bucio case, a purported class action involving allegations that the Company failed to track work time and provide breaks, on April 19, 2011 the trial court held a hearing on plaintiffs' motion to certify the class. At the conclusion of that hearing, the trial court denied plaintiffs' motion to certify the class. On May 11, 2011, the plaintiffs filed a motion to reconsider, which was denied. The plaintiffs have appealed the class certification issues. The trial court stayed the underlying lawsuit pending the decision in the appeal.

Diaz

On June 22, 2011, the parties accepted a mediator's proposal in the Diaz case which involves settling all the claims made in the first amended complaint for the period of October 1, 2002 to the date on which the Court grants preliminary approval of the settlement. The preliminary approval of the Court is expected to be received in the first quarter of 2012. Under the proposed settlement, the maximum amount which could be paid to claimants is \$ 4.7 million. The anticipated payment under the terms of the mediator's proposal is approximately \$2.9 million. The Company has accrued \$2.9 million with respect to this matter, which is included in the total amount accrued for all litigation matters described above.

Khadera and Simpson

The Khadera case is a collective action and involves allegations relating to unpaid overtime and meal and rest claims. It is an opt-in class under the Fair Labor Standards Act and 343 plaintiffs are in the class. On December 1, 2011, the Court denied the Company's motion for decertification, so the case will proceed to trial as a collective action. Class certification was granted only with respect to certain overtime claims under federal law. Trial is currently set for March 12, 2012. The Company is also a defendant in the Simpson case which involves allegations relating to unpaid overtime, off-the-clock work, and failure to provide meal and rest periods under Washington state law. The plaintiffs' motion for class certification in Simpson is due January 9, 2012, and the trial date is currently scheduled for September 10, 2012.

Villacres

On January 15, 2009, a federal court judge denied with prejudice class certification status in the Villacres case. That case and the companion state court case filed April 3, 2008, in Los Angeles Superior Court were both subsequently dismissed with prejudice on summary judgment. On June 17, 2010, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the district court, which had summarily dismissed with prejudice the Villacres case. The state court companion case, filed April 3, 2008 in Los Angeles Superior Court, has also been dismissed with prejudice by the judge of the Los Angeles Superior Court. On October 22, 2010, the State Appellate Court affirmed the decision of the judge of the Los Angeles Superior Court. The plaintiffs filed a petition for review with the California Supreme Court. On February 16, 2011, the California Supreme Court denied the petition for review. The decision of the United States Court of Appeal for the Ninth Circuit and the California Supreme Court has concluded the federal and state cases, respectively.

Environmental Matter

A proceeding has been commenced by the State of Texas against a subsidiary of the Company alleging that the subsidiary discharged industrial waste in violation of applicable law. Under applicable law, the maximum fine related to the alleged violation is \$0.3 million. It is reasonably possible that the Company will experience a loss related to this matter, which estimate is included in the total potential exposure described above.

Other

During October 2011, the Company began an internal investigation into matters relating to compliance with the U.S. Foreign Corrupt Practices Act and the Company's internal policies in connection with services provided by a foreign entity affiliated with a Linc joint venture partner. Such services commenced prior to the Company's acquisition of Linc. As a result of the investigation, the Company has caused Linc to terminate its association with the arrangement. In December 2011, the Company contacted the U.S. Department of Justice and the Securities and Exchange Commission to voluntarily disclose the results of its internal investigation to date. The Company cannot reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, the Company does not believe that these matters will have a material adverse effect on its business, financial condition, results of operations or cash flows.

12. SHARE-BASED COMPENSATION PLANS

Compensation expense and related income tax benefit in connection with the Company's share-based compensation plans for the years ended October 31, 2011, 2010 and 2009 were as follows:

| <u>Years Ended October 31,</u> <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------|-----------------|-----------------|
| Share-based compensation expense recognized in selling, general and administrative expenses before income taxes | \$ 9,191 | \$ 4,071 | \$ 7,411 |
| Income tax benefit | (3,805) | (1,691) | (3,025) |
| Total share-based compensation expense after income taxes | <u>\$ 5,386</u> | <u>\$ 2,380</u> | <u>\$ 4,386</u> |

In July 2010, the Company determined that the financial performance targets, which were established in connection with certain performance share grants, were no longer probable of achievement. As a result, the Company reversed approximately \$3.4 million (\$2.0 million, net of taxes) of previously recorded share-based compensation expense in July 2010. This adjustment was recorded in selling, general and administrative expenses.

The total shares issued upon the exercise of options under all share-based compensation plans was 570,425, 850,855 and 494,843 during the years ended October 31, 2011, 2010 and 2009, respectively. The total intrinsic value of the shares exercised was \$6.7 million, \$8.4 million and \$3.0 million for the years ended October 31, 2011, 2010 and 2009, respectively. The total fair value of shares that vested during the years ended October 31, 2011, 2010 and 2009 was \$2.4 million, \$8.1 million and \$3.8 million, respectively.

The Company has five share-based compensation plans and an employee stock purchase plan which are described below.

2006 Equity Incentive Plan

On May 2, 2006, the stockholders of the Company approved the 2006 Equity Incentive Plan (the "2006 Equity Plan"). Prior to the adoption of the 2006 Equity Plan, equity awards were made under the Time-Vested Incentive Stock Option Plan (the "Time-Vested Plan"), the 1996 Price-Vested Performance Stock Option Plan (the "1996 Price-Vested Plan") and the 2002 Price-Vested Performance Stock Option Plan (the "2002 Price-Vested Plan" and collectively with the Time-Vested Plan and the 1996 Price-Vested Plan, the "Prior Plans"). The 2006 Equity Plan provides for the issuance of 5,250,000 shares of the Company's common stock, plus the remaining shares authorized but not issued under the Prior Plans and forfeitures under the Prior Plans after that date. No further grants can be made under the Prior Plans.

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At October 31, 2011, 530,648 shares were available for award under the 2006 Equity Plan. The terms and conditions governing existing options under the Prior Plans will continue to apply to the options outstanding under those plans. The 2006 Equity Plan is an “omnibus” plan that provides for a variety of equity and equity-based award vehicles, including stock options, stock appreciation rights, restricted stock units (“RSUs”), performance shares, and other share-based awards. Shares subject to awards that terminate without vesting or exercise are available for future awards under the 2006 Equity Plan. Certain of the awards under the 2006 Equity Plan may qualify as “performance-based” compensation under Internal Revenue Code Section 162(m) (“Section 162(m)”). The status of the stock options, RSUs and performance shares granted under the 2006 Equity Plan as of October 31, 2011 is summarized below.

Stock Options

The nonqualified stock options issued under the 2006 Equity Plan generally vest and become exercisable at a rate of 25% per year beginning one year after date of grant. However, terms of stock options can vary, and certain stock options granted on March 31, 2010 and January 10, 2011 will vest on the fifth anniversary of the award. Options expire seven years after the date of grant.

Stock option activity in the year ended October 31, 2011 is summarized below:

| | <u>Number of Shares (in thousands)</u> | <u>Weighted-Average Exercise Price per Share</u> | <u>Weighted-Average Remaining Contractual Term (in years)</u> | <u>Aggregate Intrinsic Value (in thousands)</u> |
|--|--|--|---|---|
| Outstanding at October 31, 2010 | 1,199 | \$ 20.49 | | |
| Granted | 513 | 21.75 | | |
| Exercised | (36) | 18.97 | | |
| Outstanding at October 31, 2011 | <u>1,676</u> | <u>\$ 20.91</u> | <u>4.93</u> | <u>\$ 1,063</u> |
| Vested and exercisable at October 31, 2011 | <u>567</u> | <u>\$ 20.37</u> | <u>3.22</u> | <u>\$ 497</u> |

As of October 31, 2011, there was \$4.9 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options under the 2006 Equity Plan. The cost is expected to be recognized on a straight-line basis over a weighted-average vesting period of 2.60 years.

The Company estimates the fair value of each option award on the date of grant using the Black-Scholes option valuation model. The Company estimates forfeiture rates based on historical data and adjusts the rates periodically or as needed. The adjustment of the forfeiture rate may result in a cumulative adjustment in any period in which the forfeiture rate estimate is changed. During the year ended October 31, 2011, the Company adjusted its forfeiture rate to align the estimate with expected forfeitures, and the effect of such adjustment was immaterial.

The assumptions used in the option valuation model for the years ended October 31, 2011, 2010 and 2009 are shown in the table below:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|---------------|---------------|---------------|
| Expected life from the date of grant (1) | 5.6 years | 5.6 years | 5.7 years |
| Expected stock price volatility (2) | 39.2% - 40.4% | 38.5% - 39.0% | 35.2% |
| Expected dividend yield (3) | 2.3% - 2.6% | 2.6% - 2.7% | 2.5% |
| Risk-free interest rate (4) | 1.0% - 2.1% | 1.7% - 2.6% | 1.7% |
| Weighted average fair value of option grants | <u>\$6.52</u> | <u>\$6.37</u> | <u>\$4.82</u> |

- (1) The expected life for options granted under the 2006 Equity Plan is based on observed historical exercise patterns of the previously granted options adjusted to reflect the change in vesting and expiration dates.
- (2) The expected volatility is based on considerations of implied volatility from publicly traded and quoted options on the Company's common stock and the historical volatility of the Company's common stock.
- (3) The dividend yield is based on the historical dividend yield over the expected term of the options granted.
- (4) The risk-free interest rate is based on the continuous compounded yield on U.S. Treasury Constant Maturity Rates with a remaining term equal to the expected term of the option.

[Table of Contents](#)*RSUs*

RSUs are generally granted to directors each year on the date of the Company's annual shareholders' meeting. RSUs are settled in shares of the Company's common stock with respect to one-third of the underlying shares on the first, second and third anniversaries of the annual shareholders' meeting, which in several cases vary from the anniversaries of the award grant. In general, RSUs granted to persons other than directors generally vest with respect to 50% of the underlying award on the second and fourth anniversary of the award and are settled in shares of the Company's common stock. Certain RSUs granted on March 31, 2010 and January 10, 2011 will vest on the fifth anniversary of the award.

RSU activity in the year ended October 31, 2011 is summarized below:

| | Number of Shares (in thousands) | Weighted- Average Grant Date Fair Value per Share |
|--|---------------------------------------|---|
| Outstanding at October 31, 2010 | 735 | \$ 20.19 |
| Granted | 528 | 20.39 |
| Issued (including 36 shares withheld for income taxes) | (121) | 19.50 |
| Forfeited | (35) | 20.67 |
| Outstanding at October 31, 2011 | <u>1,107</u> | <u>\$ 20.38</u> |
| Vested at October 31, 2011 | <u>121</u> | <u>\$ 19.50</u> |

As of October 31, 2011, there was \$13.2 million of total unrecognized compensation cost (net of estimated forfeitures) related to RSUs under the 2006 Equity Plan. The cost is expected to be recognized on a straight-line basis over a weighted-average vesting period of 2.23 years.

Performance Shares

Performance shares consist of a contingent right to receive shares of the Company's common stock based on performance targets adopted by the Compensation Committee. The number of performance shares that will vest is based on pre-established financial performance targets. Vesting of 0% to 150% of the indicated shares may occur depending on the extent to which targets are achieved.

Performance share activity in the year ended October 31, 2011 is summarized below:

| | Number of Shares (in thousands) | Weighted- Average Grant Date Fair Value per Share |
|--------------------------------------|---------------------------------------|---|
| Outstanding at October 31, 2010 | 381 | \$ 18.98 |
| Granted | 271 | 25.25 |
| Change in units based on performance | (36) | 19.51 |
| Forfeited | (24) | 20.82 |
| Outstanding at October 31, 2011 | <u>592</u> | <u>\$ 21.74</u> |
| Vested at October 31, 2011 | <u>—</u> | <u>\$ —</u> |

As of October 31, 2011, there was \$6.1 million of total unrecognized compensation cost (net of estimated forfeitures) related to performance shares. The cost is expected to be recognized on a straight-line basis over a weighted average vesting period of 1.44 years. These costs are based on estimated achievement of performance targets and estimated costs will be reevaluated periodically.

[Table of Contents](#)*Dividend Equivalent Rights*

RSUs are credited with dividend equivalent rights that are converted to RSUs at the fair market value of the Company's common stock on the dates the dividend payments are made and are subject to the same terms and conditions as the underlying award. Performance shares granted prior to January 13, 2009 are credited with dividend equivalent rights that will be converted to performance shares at the fair market value of the Company's common stock on the dates the dividend payments are made and are subject to the same terms and conditions as the underlying award. Performance shares granted on or after January 13, 2009 are credited with dividend equivalent rights that will be converted to performance shares at the fair market value of the Company's common stock beginning after the performance targets have been satisfied and are subject to the same terms and conditions as the underlying award.

Time-Vested Plan

Under the Time-Vested Plan, the options become exercisable at a rate of 20% of the shares per year beginning one year after the date of grant and expire ten years plus one month after the date of grant. As of May 2, 2006, no further grants are authorized under this plan.

The Time-Vested Plan activity in the year ended October 31, 2011 is summarized below:

| | Number of Shares (in thousands) | Weighted- Average Exercise Price per Share | Weighted- Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|--|---------------------------------------|---|---|--|
| Outstanding at October 31, 2010 | 701 | \$ 18.40 | | |
| Exercised | (111) | 16.49 | | |
| Forfeited or expired | (10) | 16.89 | | |
| Outstanding at October 31, 2011 | <u>580</u> | <u>\$ 18.79</u> | <u>2.9</u> | <u>\$ 1,057</u> |
| Vested and exercisable at October 31, 2011 | <u>580</u> | <u>\$ 18.79</u> | <u>2.9</u> | <u>\$ 1,057</u> |

As of October 31, 2011, all outstanding shares under this plan are vested and exercisable.

1996 and 2002 Price-Vested Plans

The Company has two Price-Vested Plans: (1) the 1996 Price-Vested Plan and (2) the 2002 Price-Vested Plan. The two plans are substantially similar as each plan has pre-defined vesting prices that provide for accelerated vesting. Under each form of option agreement, if at the end of four years any of the stock price performance targets are not achieved, then the remaining options vest at the end of eight years from the date the options were granted. There have been no grants under this plan since the year ended October 31, 2005, therefore the remaining outstanding options under this plan will vest on the eighth anniversary of the award. Options vesting during the first year following grant do not become exercisable until after the first anniversary of grant. The options expire ten years after the date of grant. As of May 2, 2006, no further grants are authorized under these plans.

Activity for the 1996 and 2002 Price-Vested Plans in the year ended October 31, 2011 is summarized below:

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| | Number of Shares (in thousands) | Weighted-Average Exercise Price per Share | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|--|------------------------------------|---|---|--|
| Outstanding at October 31, 2010 | 1,013 | \$ 17.43 | | |
| Exercised | (295) | 16.84 | | |
| Forfeited or expired | (8) | 15.16 | | |
| Outstanding at October 31, 2011 | <u>710</u> | <u>\$ 17.71</u> | <u>2.53</u> | <u>\$ 1,793</u> |
| Vested and exercisable at October 31, 2011 | <u>710</u> | <u>\$ 17.71</u> | <u>2.53</u> | <u>\$ 1,793</u> |

As of October 31, 2011, all outstanding shares under this plan are vested and exercisable.

Executive Stock Option Plan (“Age-Vested Plan”)

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

The Age-Vested Plan activity in the year ended October 31, 2011, is summarized below:

| | Number of Shares (in thousands) | Weighted-Average Exercise Price per Share | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|--|------------------------------------|---|---|--|
| Outstanding at October 31, 2010 | 402 | \$ 13.75 | | |
| Exercised | (7) | 14.93 | | |
| Forfeited or expired | (35) | 14.01 | | |
| Outstanding at October 31, 2011 | <u>360</u> | <u>\$ 13.70</u> | <u>42.52</u> | <u>\$ 2,346</u> |
| Vested and exercisable at October 31, 2011 | <u>80</u> | <u>\$ 11.48</u> | <u>43.20</u> | <u>\$ 699</u> |

As of October 31, 2011, there was \$0.5 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options under the Age-Vested Plan, which is expected to be recognized on a straight-line basis over a weighted-average vesting period of 7.90 years.

Employee Stock Purchase Plan

On March 9, 2004, the stockholders of the Company approved the 2004 Employee Stock Purchase Plan. The 2004 Employee Stock Purchase Plan provides for the issuance of 3,000,000 shares thereunder. Effective May 1, 2006, the purchase price became 95% of the fair market value of the Company’s common stock on the last trading day of the month. After that date, the plan is no longer considered compensatory and the values of the awards are no longer treated as share-based compensation expense. Employees may designate up to 10% of their compensation for the purchase of stock, subject to a \$25,000 annual limit. Employees are required to hold their shares for a minimum of six months from the date of purchase.

The weighted average fair values of the purchase rights granted in the years ended October 31, 2011, 2010 and 2009 under the new plan were \$1.16, \$1.03 and \$0.86, respectively. During the years ended October 31, 2011, 2010 and 2009, 165,455, 190,340 and 219,067 shares of stock were issued under the plan at a weighted average price of \$22.02, \$19.65 and \$16.29, respectively. The aggregate purchases in the years ended October 31, 2011, 2010 and 2009 were \$3.6 million, \$3.7 million and \$3.6 million, respectively. At October 31, 2011, 937,379 shares remained unissued under the plan.

13. INCOME TAXES

The income taxes provision for continuing operations consists of the following components for each of the fiscal years ended October 31, 2011, 2010 and 2009:

| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-----------------------|------------------|------------------|------------------|
| Current | | | |
| Federal | \$ 5,539 | \$ 14,394 | \$ 5,542 |
| State | 7,147 | 8,072 | 6,486 |
| Foreign | 67 | 83 | 951 |
| Deferred | | | |
| Federal | 21,642 | 17,341 | 19,722 |
| State | 2,585 | 319 | (2,652) |
| Foreign | — | (6) | (879) |
| | <u>\$ 36,980</u> | <u>\$ 40,203</u> | <u>\$ 29,170</u> |

Income tax expense attributable to income from continuing operations differs from the amounts computed by applying the U.S. statutory rates to pre-tax income from continuing operations as a result of the following for the years ended October 31, 2011, 2010 and 2009:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------|--------------|--------------|
| Statutory rate | 35.0% | 35.0% | 35.0% |
| State and local income taxes, net of federal tax benefit | 6.3% | 6.5% | 6.5% |
| Federal and state tax credits | (5.1)% | (4.6)% | (5.8)% |
| Impact of change in state tax rate | (0.4)% | (0.1)% | (3.7)% |
| Tax liabilities no longer required | (4.0)% | (0.5)% | (0.4)% |
| Nondeductible expenses and other, net | 3.2% | 2.3% | 2.9% |
| | <u>35.0%</u> | <u>38.6%</u> | <u>34.5%</u> |

The effective tax rate for the year ended October 31, 2011 is lower than the effective tax rate for the year ended October 31, 2010, primarily due to net nonrecurring favorable federal and state tax benefits recorded in the year ended October 31, 2011. These tax benefits included a \$4.7 million re-measurement of certain unrecognized tax benefits based on new information available, which were partially offset by other discrete tax costs of \$1.9 million, primarily related to the true-up of prior year estimated tax balances (including a reduction in previously anticipated employment based tax credits).

The effective tax rate for the year ended October 31, 2010 is higher than the effective tax rate for the year ended October 31, 2009 primarily due to a decrease in discrete federal and state tax benefits recorded in the year ended October 31, 2009. These tax benefits included the benefits of state tax rate increases on the carrying value of the Company's state deferred tax assets and employment based credits.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at October 31, 2011 and 2010 are presented below:

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| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> |
|---|------------------|------------------|
| Deferred tax assets: | | |
| Self-insurance claims (net of recoverables) | \$ 103,125 | \$ 109,439 |
| Deferred and other compensation | 28,897 | 25,516 |
| Accounts receivable allowances | 3,822 | 4,245 |
| Settlement liabilities | 1,999 | 1,306 |
| State taxes | 908 | 712 |
| Federal net operating loss carryforwards | 15,485 | 19,961 |
| State net operating loss carryforwards | 8,348 | 9,184 |
| Tax credits | 6,480 | 6,602 |
| Other | 8,220 | 7,872 |
| | <u>177,284</u> | <u>184,837</u> |
| Valuation allowance | (5,784) | (6,290) |
| Total gross deferred tax assets | <u>171,500</u> | <u>178,547</u> |
| Deferred tax liabilities: | | |
| Property, plant and equipment | (8,579) | (2,426) |
| Goodwill and other acquired intangibles | (91,408) | (78,860) |
| Total gross deferred tax liabilities | <u>(99,987)</u> | <u>(81,286)</u> |
| Net deferred tax assets | <u>\$ 71,513</u> | <u>\$ 97,261</u> |

At October 31, 2011, the Company's net deferred tax assets included a tax benefit from federal net operating loss carryforwards of \$43.4 million. The federal net operating loss carryforwards will expire between 2014 and 2029. State net operating loss carryforwards will expire between the years 2012 and 2031.

The Company periodically reviews its deferred tax assets for recoverability. The valuation allowance represents the amount of tax benefits related to state net operating loss carryforwards that management believes are not likely to be realized. The Company believes the gross deferred tax assets are more likely than not to be realizable based on estimates of future taxable income.

Changes to the deferred tax asset valuation allowance for the years ended October 31, 2011 and 2010 are as follows:

| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> |
|--|-----------------|-----------------|
| Valuation allowance at the beginning of the year | \$ 6,290 | \$ 6,147 |
| Acquisition of Linc | 290 | — |
| Other, net | (796) | 143 |
| Valuation allowance at the end of the year | <u>\$ 5,784</u> | <u>\$ 6,290</u> |

In the year ended October 31, 2011, the valuation allowance decreased (through a reduction of the tax provision) by \$0.8 million for state net operating losses that became more-likely-than-not realizable based on updated assessments of future taxable income and increased by a goodwill adjustment of \$0.3 million as a result of the acquisition of Linc. In the year ended October 31, 2010, \$0.1 million of the increase in valuation allowance was charged to income tax expense for deferred tax assets that were not expected to be ultimately realized.

At October 31, 2011, we had unrecognized tax benefits of \$96.0 million, all of which, if recognized in the future, would impact the Company's effective tax rate. The Company includes interest and penalties related to unrecognized tax benefits in income tax expense. As of October 31, 2011, the Company had accrued interest and penalties related to uncertain tax positions of \$0.9 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

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| <u>(in thousands)</u> | <u>2011</u> | <u>2010</u> |
|---|------------------|-------------------|
| Balance at beginning of year | \$ 101,681 | \$ 102,291 |
| Additions for tax positions related to the current year | 760 | 445 |
| Reductions for tax positions related to prior years | (5,743) | (125) |
| Reductions for expiration of statute of limitations | (356) | (930) |
| Settlements | (386) | — |
| Balance as of October 31 | <u>\$ 95,956</u> | <u>\$ 101,681</u> |

The Company's major tax jurisdiction is the United States. The U.S. federal income tax returns for both ABM and OneSource remain open for examination for the periods ending October 31, 2006 through October 31, 2011 and March 31, 2000 through November 14, 2007, respectively. ABM is currently being examined by the Internal Revenue Service for the tax years 2006-2008. The Company does business in all 50 states, significantly in California, Texas and New York, as well as Puerto Rico and Canada. In major state jurisdictions, the tax years 2007-2011 remain open and subject to examination by the appropriate tax authorities. The Company is currently being examined by Illinois, Utah, New Jersey, Massachusetts, New York, California, Texas, Michigan and Puerto Rico. The Company estimates that a decrease in unrecognized tax benefits of up to approximately \$4.3 million is reasonably possible over the next 12 months.

14. SEGMENT INFORMATION

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

| <u>(in thousands)</u> | <u>Year ended October 31,</u> | | |
|--|-------------------------------|-------------------|------------------|
| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Revenues | | | |
| Janitorial | \$ 2,380,195 | \$ 2,306,098 | \$ 2,346,257 |
| Engineering | 899,381 | 382,629 | 341,462 |
| Parking | 615,679 | 469,398 | 457,477 |
| Security | 350,377 | 336,249 | 334,610 |
| Corporate | 1,210 | 1,373 | 2,017 |
| | <u>4,246,842</u> | <u>3,495,747</u> | <u>3,481,823</u> |
| Operating profit | | | |
| Janitorial | 140,621 | 140,007 | 139,170 |
| Engineering | 33,384 | 22,931 | 20,346 |
| Parking | 24,257 | 22,738 | 20,285 |
| Security | 7,968 | 7,487 | 8,221 |
| Corporate | (88,662) | (84,324) | (95,915) |
| Operating profit | 117,568 | 108,839 | 92,107 |
| Other-than-temporary impairment losses on auction rate security: | | | |
| Gross impairment losses | — | — | (3,695) |
| Impairments recognized in other comprehensive income | — | (127) | 2,129 |
| Income from unconsolidated affiliates, net | 3,915 | — | — |
| Interest expense | (15,805) | (4,639) | (5,881) |
| Income from continuing operations before income taxes | <u>\$ 105,678</u> | <u>\$ 104,073</u> | <u>\$ 84,660</u> |

Effective November 1, 2010, the Company changed the management reporting responsibility for a subsidiary from the Janitorial segment to the Engineering segment. Amounts for the years ended October 31, 2010 and 2009 have been retrospectively adjusted to reflect this organizational change. The impact of the organizational change on the reported results for the years ended October 31, 2010 and 2009 was a reclassification of \$31.8 million and \$35.8 million of revenues, respectively, and \$1.0 million and \$0.7 million of operating profit, respectively, from the Janitorial segment to the Engineering segment.

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Included within the Corporate segment for the year ended October 31, 2011, is a net benefit of \$2.7 million related to the settlement, on May 17, 2011, of a dispute with the former owners of the acquired assets of Five Star Parking, Network Parking Company Ltd., and System Parking, Inc. (acquired by the Company in 2010). Such amount was recorded in the Company's consolidated financial statements as a reduction of selling, general and administrative expenses.

| (in thousands) | Year ended October 31, | | |
|--------------------------------------|------------------------|------------------|------------------|
| | 2011 | 2010 | 2009 |
| Total Identifiable Assets * | | | |
| Janitorial | \$ 859,318 | \$ 902,541 | \$ 881,862 |
| Engineering | 469,807 | 68,710 | 68,482 |
| Parking | 149,052 | 145,801 | 100,549 |
| Security | 111,304 | 112,194 | 107,667 |
| Corporate | 287,909 | 313,772 | 347,239 |
| | <u>1,877,390</u> | <u>1,543,018</u> | <u>1,505,799</u> |
| Depreciation and Amortization | | | |
| Janitorial | 19,035 | 18,356 | 18,009 |
| Engineering | 15,214 | 549 | 350 |
| Parking | 3,644 | 2,797 | 2,746 |
| Security | 1,441 | 1,443 | 1,703 |
| Corporate | 13,324 | 13,170 | 10,517 |
| | <u>52,658</u> | <u>36,315</u> | <u>33,325</u> |
| Capital Expenditures | | | |
| Janitorial | 10,048 | 12,503 | 6,633 |
| Engineering | 1,280 | 79 | 749 |
| Parking | 2,023 | 1,265 | 1,815 |
| Security | 141 | 451 | 258 |
| Corporate | 8,632 | 9,644 | 9,127 |
| | <u>\$ 22,124</u> | <u>\$ 23,942</u> | <u>\$ 18,582</u> |

* Excludes assets of discontinued operations of \$2.2 million, \$5.7 million and \$15.4 million as of October 31, 2011, 2010 and 2009, respectively.

15. QUARTERLY INFORMATION (UNAUDITED)

| (in thousands, except per share amounts) | Fiscal Quarter | | | | Year |
|--|----------------|--------------|--------------|--------------|--------------|
| | First | Second | Third | Fourth | |
| Year ended October 31, 2011 | | | | | |
| Revenues | \$ 1,029,169 | \$ 1,060,083 | \$ 1,076,247 | \$ 1,081,343 | \$ 4,246,842 |
| Gross profit | 104,864 | 115,560 | 123,403 | 121,751 | 465,578 |
| Income from continuing operations | 8,405 | 14,200 | 27,911 | 18,182 | 68,698 |
| Loss from discontinued operations | (15) | (8) | (36) | (135) | (194) |
| Net income | 8,390 | 14,192 | 27,875 | 18,047 | 68,504 |
| Net income per common share—Basic (1) | | | | | |
| Income from continuing operations | 0.16 | 0.27 | 0.52 | 0.34 | 1.29 |
| Loss from discontinued operations | — | — | — | — | — |
| Net income per common share—Basic | 0.16 | 0.27 | 0.52 | 0.34 | 1.29 |
| Net income per common share—Diluted (1) | | | | | |
| Income from continuing operations | 0.16 | 0.26 | 0.51 | 0.33 | 1.27 |
| Loss from discontinued operations | — | — | — | — | — |
| Net income per common share—Diluted | \$ 0.16 | \$ 0.26 | \$ 0.51 | \$ 0.33 | \$ 1.27 |
| Year ended October 31, 2010 | | | | | |
| Revenues | \$ 869,884 | \$ 855,461 | \$ 869,029 | \$ 901,373 | \$ 3,495,747 |
| Gross profit | 87,783 | 83,487 | 92,805 | 97,654 | 361,729 |
| Other-than-temporary impairment losses on auction rate security: | | | | | |
| Gross impairment losses | — | (101) | — | 101 | — |
| Impairments recognized in other comprehensive income | — | (26) | — | (101) | (127) |
| Income from continuing operations | 12,836 | 8,623 | 20,973 | 21,438 | 63,870 |
| Loss from discontinued operations | (61) | (46) | (10) | 368 | 251 |
| Net income | 12,775 | 8,577 | 20,963 | 21,806 | 64,121 |
| Net income per common share—Basic (1) | | | | | |
| Income from continuing operations | 0.25 | 0.16 | 0.40 | 0.42 | 1.23 |
| Loss from discontinued operations | — | — | — | — | — |
| Net income per common share—Basic | 0.25 | 0.16 | 0.40 | 0.42 | 1.23 |
| Net income per common share—Diluted (1) | | | | | |
| Income from continuing operations | 0.24 | 0.16 | 0.40 | 0.41 | 1.21 |
| Loss from discontinued operations | — | — | — | — | — |
| Net income per common share—Diluted | \$ 0.24 | \$ 0.16 | \$ 0.40 | \$ 0.41 | \$ 1.21 |

(1) The sum of the quarterly per share amounts may not equal per share amounts reported for the year-to-date periods, due to the effects of rounding for each period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

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

b. Management's Report on Internal Control Over Financial Reporting. The management of the Company is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) for the Company. The Company's internal control over financial reporting is designed to provide reasonable assurance, not absolute assurance, regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the accompanying consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2011, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that assessment and those criteria, the Company's management concluded that the Company's internal control over financial reporting was effective at a reasonable assurance level as of October 31, 2011. The Company's independent registered public accounting firm has issued an attestation report on the Company's internal control over financial reporting, which is included in Item 8 of this Annual Report on Form 10-K under the caption entitled "Report of Independent Registered Public Accounting Firm."

c. Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the quarter ended October 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, other than the continued remediation of certain controls associated with the recently acquired Linc business and Linc integration activities.

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d. Certificates. Certificates with respect to disclosure controls and procedures and internal control over financial reporting under Rules 13a-14(a) or 15d-14(a) of the Exchange Act are attached as exhibits to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Executive Officers**

The executive officers of the Company on December 23, 2011 were as follows:

| <u>Name</u> | <u>Age</u> | <u>Principal Occupations and Business Experience During Past Five Years</u> |
|--------------------------|------------|---|
| Henrik C. Slipsager | 56 | President and Chief Executive Officer and a Director of ABM since November 2000. |
| James S. Lusk | 55 | Chief Financial Officer of ABM since January 2008; Executive Vice President of ABM since March 2007; Vice President of Business Services of Avaya from January 2005 to January 2007; Chief Financial Officer and Treasurer of BioScrip/MIM from 2002 to 2005; President of Lucent Technologies' Business Services division and Corporate Controller from 1995 to 2002. Member of the Board of Directors of Glowpoint, Inc. since February 2007. |
| James P. McClure | 54 | Executive Vice President of ABM since September 2002; President of ABM Janitorial Services since November 2000. |
| Tracy K. Price | 53 | Executive Vice President of ABM and President, ABM Engineering Services since December 1, 2010; Chief Executive Officer and President of Linc from December 8, 2003. Linc was acquired by ABM on December 1, 2010 and is a subsidiary of ABM. |
| Erin M. Andre | 52 | Senior Vice President of ABM since August 2005; Vice President, Human Resources of National Energy and Gas Transmission, Inc. from April 2000 to May 2005. |
| Dean A. Chin | 43 | Senior Vice President, Chief Accounting Officer and Corporate Controller of ABM since June 2010; Vice President and Assistant Controller of the Company from June 2008 to June 2010; Director of Finance, Reader's Digest Association, Inc. from March 2005 to March 2008; Senior Manager, Audit and Business Advisory Services, Ernst & Young, LLP from July 2001 to January 2005. |
| David L. Farwell | 50 | Senior Vice President, Investor Relations of ABM since June 2009; Senior Vice President, Chief of Staff and Treasurer of ABM from September 2005 to June 2009; Vice President of ABM from August 2002 to September 2005. |
| Sarah Hlavinka McConnell | 47 | General Counsel and Corporate Secretary of ABM since May 2008; Deputy General Counsel of ABM from September 2007 to May 2008; Senior Vice President of ABM since September 2007; Vice President, Assistant General Counsel and Secretary of Fisher Scientific International Inc. from December 2005 to November 2006; Vice President and Assistant General Counsel of Fisher Scientific International Inc. from July 2005 to December 2005; General Counsel of Benchmark Electronics, Inc. from November 2004 to July 2005; Vice President and General Counsel of Fisher Healthcare, a division of Fisher Scientific International Inc. from September 2002 to November 2004. |

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Additional information required by this Item 10 is included under the headings “Proposal—Election of Directors,” “Corporate Governance,” “Audit-Related Matters” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Definitive Proxy Statement for the Company’s Annual Meeting of Shareholders scheduled to be held on March 6, 2012 (“2012 Proxy Statement”). All of this information is incorporated by reference into this Annual Report. The 2012 Proxy Statement will be filed with the Commission not later than 120 days after the conclusion of the Company’s fiscal year ended October 31, 2011.

On April 4, 2011, the Company filed its Annual CEO Certification as required by Section 303A.12 of the NYSE Listed Company Manual.

Code of Business Conduct. The Company has adopted and posted on its website (www.abm.com) the ABM Code of Business Conduct that applies to all directors, officers and employees of the Company, including the Company’s Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer. If any amendments are made to the Code of Business Conduct or if any waiver, including any implicit waiver, from a provision of the Code of Business Conduct is granted to the Company’s Principal Executive Officer, Principal Financial Officer or Principal Accounting Officer, the Company will disclose the nature of such amendment or waiver on its website at the address specified above.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item with regard to officer and director compensation is incorporated by reference from the information set forth under the captions “Director Compensation for Fiscal Year 2011” and “Executive Compensation” contained in the 2012 Proxy Statement. The information required by this item with respect to compensation committee interlocks and insider participation is incorporated by reference from the information so titled under the caption “Corporate Governance” contained in the 2012 Proxy Statement. The information required by this item with respect to Compensation Committee Report is incorporated by reference from the information under the caption “Executive Compensation”.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference from the information set forth under the caption “Security Ownership of Management and Certain Beneficial Owners” contained in the 2012 Proxy Statement.

Equity Compensation Plan Information

The following table provides information regarding the Company's equity compensation plans as of October 31, 2011:

| <u>Plan Category</u> | <u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</u> | <u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</u> | <u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</u> |
|--|--|--|--|
| Equity compensation plans approved by security holders | 3,326,122(1) | \$ 19.07 | 1,468,027 (2) |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 3,326,122 | \$ 19.07 | 1,468,027 |

(1) Does not include outstanding restricted stock units or performance shares.

(2) Includes 937,379 shares available for issuance under the Employee Stock Purchase Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item with respect to certain relationships and related transactions and director independence is incorporated by reference from the information set forth under the caption "Certain Relationships and Related Transactions" and under the heading "Director Independence" which is under the caption "Corporate Governance" contained in the 2012 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference from the information set forth under the caption "Audit-Related Matters" contained in the 2012 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Form 10-K:

1. Consolidated Financial Statements of ABM Industries Incorporated and Subsidiaries:
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets – October 31, 2011 and 2010
Consolidated Statements of Income – Years ended October 31, 2011, 2010 and 2009
Consolidated Statements of Stockholders' Equity and Comprehensive Income – Years ended October 31, 2011, 2010 and 2009
Consolidated Statements of Cash Flows – Years ended October 31, 2011, 2010 and 2009
Notes to the Consolidated Financial Statements.
2. Consolidated Financial Statement Schedule of ABM Industries Incorporated and Subsidiaries: Schedule II – Consolidated Valuation Accounts – Years ended October 31, 2011, 2010 and 2009.

All other schedules are omitted because they are not applicable or because the required information is included in the accompanying consolidated financial statements or the notes thereto.

(b) Exhibits:

See Exhibit Index.

(c) Additional Financial Statements:

The individual financial statements of the registrant's subsidiaries have been omitted since the registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are wholly owned subsidiaries.

Schedule II

CONSOLIDATED VALUATION ACCOUNTS

| <u>(in thousands)</u> | <u>Balance Beginning of Year</u> | <u>Acquisitions</u> | <u>Charges to Costs and Expenses</u> | <u>Write-offs Net of Recoveries</u> | <u>Balance End of Year</u> |
|--------------------------------|--|---------------------|--|---|------------------------------------|
| Accounts receivable allowances | | | | | |
| Years ended October 31, | | | | | |
| 2011 | \$ 10,672 | 3,994 | 20,396 | (21,577) | \$ 13,485 |
| 2010 | 10,772 | 281 | 14,239 | (14,620) | 10,672 |
| 2009 | <u>12,466</u> | <u>—</u> | <u>23,072</u> | <u>(24,766)</u> | <u>10,772</u> |

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Exhibit Description</u> | <u>Incorporated by Reference</u> | | | |
|--------------------|---|----------------------------------|-----------------|----------------|--------------------|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> |
| 2.1 | Asset Purchase and Sale Agreement, dated as of August 29, 2008 by and among ABM Industries Incorporated, a Delaware corporation, Amtech Lighting Services, Amtech Lighting Services of the Midwest and Amtech Lighting and Electrical Services, each of which are California corporations, and Sylvania Lighting Services Corp., a Delaware corporation | 8-K | 001-08929 | 2.1 | September 5, 2008 |
| 2.2 | Agreement and Plan of Merger, dated December 1, 2010, by and among ABM Industries Incorporated, Lightning Services, LLC, The Linc Group, LLC and GI Manager L.P. | 8-K | 001-08929 | 2.1 | December 2, 2010 |
| 3.1 | Restated Certificate of Incorporation of ABM Industries Incorporated, dated November 25, 2003 | 10-K | 001-08929 | 3.1 | January 14, 2004 |
| 3.2 | Bylaws, as amended December 13, 2010 | 8-K | 001-08929 | 3.2 | December 16, 2010 |
| 10.1 | Credit Agreement, dated as of November 30, 2010, among ABM Industries Incorporated, various financial institutions and Bank of America, N.A., as Administrative Agent | 8-K | 001-08929 | 10.1 | December 2, 2010 |
| 10.2 | First Amendment, dated as of June 3, 2011, to the Credit Agreement, dated as of November 30, 2010, among ABM Industries Incorporated, various financial institutions and Bank of America, N.A., as Administrative Agent | 10-Q | 001-08929 | 10.1 | September 9, 2011 |
| 10.3 | Repricing Amendment, dated September 8, 2011, to the Credit Agreement dated as of November 30, 2010, among ABM Industries Incorporated, various financial institutions and Bank of America, N.A., as Administrative Agent | 8-K | 001-08929 | 10.1 | September 13, 2011 |
| 10.4 | Amended and Restated Master Services Agreement, dated February 24, 2009, by and between ABM Industries Incorporated and International Business Machines Corporation | 8-K/A | 001-08929 | 10.1 | February 26, 2009 |
| 10.5 | Transition Agreement, dated February 24, 2009, by and between ABM Industries Incorporated and International Business Machines Corporation | 8-K/A | 001-08929 | 10.2 | February 26, 2009 |
| 10.6 | Termination Agreement, dated October 11, 2011, by and between ABM Industries Incorporated and International Business Machines Corporation | 8-K | 001-08929 | 10.1 | October 14, 2011 |
| 10.7* | ABM Executive Retiree Healthcare and Dental Plan | 10-K | 001-08929 | 10.17 | January 14, 2005 |

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| 10.8* | Director Retirement Plan Distribution Election Form, as revised June 16, 2006 | 10-Q | 001-08929 | 10.1 | September 8, 2006 |
| 10.9* | Arrangements With Non-Employee Directors | 10-K | 001-08929 | 10.6 | December 22, 2009 |
| 10.10* | Deferred Compensation Plan for Non-Employee Directors, as amended and restated December 13, 2010 | 10-K | 001-08929 | 10.7 | December 23, 2010 |
| 10.11* | Form of Director Indemnification Agreement | 10-Q | 001-08929 | 10.5 | March 6, 2009 |
| 10.12* | ABM Executive Officer Incentive Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.6 | September 8, 2008 |
| 10.13* | 2006 Equity Incentive Plan, as amended and restated January 11, 2010 | 10-Q | 001-08929 | 10.1 | March 4, 2010 |
| 10.14* | Statement of Terms and Conditions Applicable to Options, Restricted Stock and Restricted Stock Units and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, as amended and restated March 31, 2010 | 8-K | 001-08929 | 10.1 | April 2, 2010 |
| 10.15* | Statement of Terms and Conditions Applicable to Options, Restricted Stock and Restricted Stock Units Granted to Directors Pursuant to the 2006 Equity Incentive Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.3 | September 8, 2008 |
| 10.16* | Statement of Terms and Conditions Applicable to Restricted Stock Units Granted Pursuant to the 2006 Equity Incentive Plan to Directors Who Elect to Relinquish Their Benefits Effective November 1, 2006, as amended and restated September 8, 2010 | 10-K | 001-08929 | 10.13 | December 23, 2010 |
| 10.17* | Form of Non-Qualified Stock Option Agreement – 2006 Equity Plan | 10-Q | 001-08929 | 10.4 | June 4, 2010 |
| 10.18* | Form of Restricted Stock Unit Agreement – 2006 Equity Plan | 10-Q | 001-08929 | 10.5 | June 4, 2010 |
| 10.19* | Form of Performance Share Agreement – 2006 Equity Plan | 10-K | 001-08929 | 10.33 | December 22, 2006 |
| 10.20* | Executive Stock Option Plan (aka Age-Vested Career Stock Option Plan), as amended and restated as of December 9, 2008 | 8-K | 001-08929 | 10.1 | December 15, 2008 |
| 10.21* | Time-Vested Incentive Stock Option Plan, as amended and restated as of September 4, 2007 | 10-Q | 001-08929 | 10.2 | September 10, 2007 |
| 10.22* | 1996 Price-Vested Performance Stock Option Plan, as amended and restated as of September 4, 2007 | 10-Q | 001-08929 | 10.3 | September 10, 2007 |
| 10.23* | 2002 Price-Vested Performance Stock Option Plan, as amended and restated as of September 4, 2007 | 10-Q | 001-08929 | 10.4 | September 10, 2007 |

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| 10.24* | Deferred Compensation Plan for Executives, amended and restated, October 25, 2010 | 10-K | 001-08929 | 10.22 | December 23, 2010 |
| 10.25* | Form of Restricted Stock Unit Agreement dated March 31, 2010 for Awards to Certain Executive Officers | 8-K | 001-08929 | 10.2 | April 2, 2010 |
| 10.26* | Form of Stock Option Agreement dated March 31, 2010 for Awards to Certain Executive Officers | 8-K | 001-08929 | 10.3 | April 2, 2010 |
| 10.27* | Supplemental Executive Retirement Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.4 | September 8, 2008 |
| 10.28* | Service Award Benefit Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.5 | September 8, 2008 |
| 10.29* | Executive Severance Pay Policy, as amended and restated March 7, 2011 | 10-Q | 001-08929 | 10.1 | March 10, 2011 |
| 10.30* | Amended and Restated Employment Agreement dated December 16, 2009 by and between ABM Industries Incorporated and Henrik C. Slipsager | 10-Q | 001-08929 | 10.3 | March 4, 2010 |
| 10.31* | Form of Executive Employment Agreement (with term) with James S. Lusk, James P. McClure, Sarah H. McConnell, Steven M. Zaccagnini, and Tracy K. Price | 8-K | 001-08929 | 10.1 | October 27, 2010 |
| 10.32* | Form of Executive Employment Agreement (with term) | 10-K | 001-08929 | 10.30 | December 23, 2010 |
| 10.33* | Form of Executive Employment Agreement (without term) | 10-K | 001-08929 | 10.31 | December 23, 2010 |
| 10.34* | Form of Amended and Restated Executive Change in Control Agreement with Henrik C. Slipsager, James S. Lusk, James P. McClure and Steven M. Zaccagnini | 8-K | 001-08929 | 10.1 | December 31, 2008 |
| 10.35* | Annex A for Change in Control Agreement for Henrik C. Slipsager | 8-K/A | 001-08929 | 10.1 | January 5, 2009 |
| 10.36* | Executive Change in Control Agreement with Sarah H. McConnell | 10-K | 001-08929 | 10.32 | December 22, 2009 |
| 10.37*‡ | Executive Change in Control Agreement with Tracy K. Price | | | | |
| 21.1‡ | Subsidiaries of the Registrant | | | | |
| 23.1‡ | Consent of Independent Registered Public Accounting Firm | | | | |
| 31.1‡ | Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |
| 31.2‡ | Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | |

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| 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 302 of the Sarbanes-Oxley Act of 2002 |
| 101.INS† | XBRL Report Instance Document |
| 101.SCH† | XBRL Taxonomy Extension Schema Document |
| 101.CAL† | XBRL Taxonomy Calculation Linkbase Document |
| 101.LAB† | XBRL Taxonomy Label Linkbase Document |
| 101.PRE† | XBRL Presentation Linkbase Document |
| 101.DEF† | XBRL Taxonomy Extension Definition Linkbase Document |

* Indicates management contract or compensatory plan, contract or arrangement

‡ Indicates filed herewith

† Indicates furnished herewith

CHANGE IN CONTROL AGREEMENT

This Amended and Restated Change in Control Agreement (this "Agreement"), effective as of March 7, 2011, is made between ABM Industries Incorporated, a Delaware corporation (the "Company") and the individual executing this Agreement as the Executive on the signature page (the "Executive").

RECITALS

A. The Executive is a senior executive of the Company and has made and is expected to continue to make major contributions to the short- and long-term profitability, growth and financial strength of the Company;

B. The Company recognizes that the possibility of a Change in Control, as hereinafter defined, exists and that such possibility, and the uncertainty it may create among management, may result in the distraction or departure of management personnel, to the detriment of the Company and its stockholders, including a reduction of the value received by stockholders in a Change in Control transaction;

C. The Company desires to assure itself of both present and future continuity of management and to establish fixed severance benefits for certain of its senior executives, including the Executive, applicable in the event of a Change in Control; and

D. The Company desires to provide additional inducement for the Executive to continue to remain in the employ of the Company. Accordingly, the Company and the Executive agree as follows:

1. Certain Defined Terms . In addition to terms defined elsewhere herein, the following terms have the following meanings when used in this Agreement with initial capital letters:

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

(b) "Base Pay" means the Executive's annual base salary rate as in effect at the time a determination is required to be made under Section 4.

(c) "Board" means the Board of Directors of the Company; any action of the Board herein contemplated will be valid if adopted by a majority of the total number of directors then in office or a majority of the Incumbent Directors and, for purposes of interpreting, amending or waiving any portion of this Agreement, may be adopted by a majority of the Incumbent Directors by written action, whether or not unanimous, or may be delegated by specific action of the Board of Directors after the date hereof to any directorate committee comprised solely of Incumbent Directors who are also Independent Directors.

(d) "Cause" shall mean, with respect to the Executive: (i) the willful and continued failure to substantially perform the Executive's duties and responsibilities for reasons other than death or disability, after a written demand for substantial performance is delivered to him/her by the Company which specifically identifies the manner in which the Company believes that the Executive has not substantially performed the Executive's duties; (ii) the Executive's conviction (or entry of a plea bargain admitting criminal guilt) of any felony or a misdemeanor involving moral turpitude; (iii) intentional breach by the Executive of his/her fiduciary obligations to the Company or any securities laws applicable to the Company; or (iv) intentional wrongful engagement by the Executive in any Competitive Activity; and, for purposes of this subsection (iv), any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Agreement, no act or failure to act on the part of the Executive will be deemed "intentional" if it was due primarily to an error in judgment or negligence, but will be deemed "intentional" only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

(e) "Change in Control" means that during the Term any of the following events occurs, provided that the occurrence of such event constitutes a "change in effective ownership or control" of the Company, as defined in Section 409A:

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

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

(iii) the consummation of a reorganization, merger, consolidation, plan of liquidation or dissolution, recapitalization or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the stock or assets of another corporation, or other transaction (each, a "Business Transaction"), unless, in any such case, (A) no Person (other than the Company, any entity resulting from such Business Transaction or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then-outstanding shares of Voting Stock of the entity

resulting from such Business Transaction or, if it is such entity, the Company and (B) at least one-half of the members of the Board of Directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement providing for such Business Transaction.

(f) “Code” means the Internal Revenue Code of 1986, as amended.

(g) “Competitive Activity” means the Executive’s participation, without the written consent signed by an officer of the Company and authorized by the Board, in the management of any business enterprise if (i) such enterprise engages in substantial and direct competition with the Company and such enterprise’s sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise’s net sales for its most recently completed fiscal year and if the Company’s net sales of said product or service amounted to 10% of the Company’s net sales for its most recently completed fiscal year or (ii) the primary business done or intended to be done by such enterprise is in direct competition with the business of providing facility services in any geographic market in which the Company operates. “Competitive Activity” will not include the mere ownership of securities in any such enterprise and the exercise of rights appurtenant thereto, if such ownership is less than 5% of the outstanding voting securities or units of such enterprise.

(h) “Employee Benefits” means the benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Executive is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change in Control.

(i) “ERISA” means the Employee Retirement Income Security Act of 1976, as amended

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

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

(l) “Good Reason” means the occurrence of one or more of the following events:

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position he had with the Company immediately prior to a Change in Control, or a substantially equivalent or better office or position than that which he had with the Company immediately prior to the Change in Control, in either such case with the Company, any legal successor to the Company or, if the Company merges with or into another entity with substantial operations, with respect to the business of the Company and its Subsidiaries substantially as conducted immediately prior to the Change in Control;

(ii) Failure of the Company to remedy any of the following within 30 calendar days after receipt by the Company of written notice thereof from the Executive: (A) a significant adverse change in the nature or scope of the authorities, powers or functions attached to the position with the Company which the Executive held immediately prior to the Change in Control, (B) a material reduction in the Executive's Base Pay, (C) a material reduction in the Executive's Incentive Pay Opportunity or Incentive Pay Target, or (D) the termination or denial of the Executive's rights to material Employee Benefits or a material reduction in the scope or value thereof, unless such termination or reduction referred to in clauses (B), (C) or (D) applies on a substantially similar basis to all executives of the Company and its parent entities or such right is replaced with a right with a substantially similar scope or value;

(iii) The liquidation, dissolution, merger, consolidation or reorganization of the Company or the transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company under this Agreement pursuant to Section 11(a);

(iv) If the Executive's principal residence at the time in question is within 35 miles of the Company's headquarters or the headquarters of the Subsidiary that is Executive's employer, the Company requires the Executive to have Executive's principal location of work changed to any location that is in excess of 50 miles from such residence without Executive's prior written consent; or

(v) Without limiting the generality or effect of the foregoing, any material breach of this Agreement or any Other Employment Agreement (as defined in Section 6) by the Company or any successor thereto which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such breach.

A termination of employment by the Executive for one of the reasons set forth in clauses (i)—(v), above, will not constitute "Good Reason" unless, within the 60-day period immediately following the occurrence of such Good Reason event, the Executive has given written notice to the Company specifying in reasonable detail the event or events relied upon for such termination and the Company has not remedied such event or events within 30 days of the receipt of such notice. The Company and the Executive may mutually waive in writing any of the foregoing provisions with respect to an event or events that otherwise would constitute Good Reason.

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

(n) “Incentive Pay” means compensation in addition to Base Pay determined by reference to one or more performance measures, whether payable in cash, securities or otherwise.

(o) “Incentive Pay Opportunity” means the maximum amount of Incentive Pay that the Executive would receive pursuant to any Incentive Pay Plan in existence immediately prior to a Change in Control (disregarding the effects of the Change in Control, including without limitation increased depreciation or amortization, financing expense and transaction costs), assuming satisfaction of all thresholds or other conditions thereto established (i) prior to the Change in Control or (ii) after the Change in Control either (A) with the Executive’s specific prior written approval or (B) by action of a committee of the Board comprised solely of Independent Directors.

(p) “Incentive Pay Plan” means any plan, program, agreement or arrangement (excluding employee stock options, restricted stock or other rights the value of which is determined solely by reference to the value of the Company’s common stock).

(q) “Incentive Pay Target” means the amount or value of Incentive Pay the Executive would have received assuming that the Incentive Pay Plans in effect immediately prior to the Change in Control continue unchanged and are satisfied at the target level and, if applicable, any conditions to entitlement to payment at the target level thereunder that are not measured by the Company’s results of operation are satisfied at the target level.

(r) “Independent Directors” means directors who qualify as “independent” directors under then-applicable New York Stock Exchange rules applicable to compensation committees (whether or not the Company’s securities continue to be listed for trading thereon).

(s) “Other Agreement” means an agreement, contract or understanding (including any option or equity plan or agreement) other than this Agreement, heretofore or hereafter entered into by the Executive with the Company or any Subsidiary.

(t) "Retirement Plans" means the benefit plans of the Company that are intended to be qualified under Section 401(a) of the Code and any supplemental executive retirement benefit plan or any other plan that is a successor thereto as such Retirement Plans were in effect immediately prior to the Change in Control and if the Executive was a participant in such Retirement Plan immediately prior to the Change in Control.

(u) Section 162(m) means Section 162(m) of the Code, and the regulations and guidance promulgated thereunder, or any successor statute.

(v) Section 409A means Section 409A of the Code, and the regulations and guidance promulgated thereunder, or any successor statute.

(w) "Severance Period" means the period of time commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of (i) the second anniversary of the occurrence of the Change in Control and (ii) the Executive's death.

(x) "Subsidiary" means an entity in which the Company directly or indirectly beneficially owns 50% or more of the outstanding Voting Stock.

(y) "Term" means the period commencing as of the date hereof and expiring on the close of business on December 31, 2011; provided, however, that (i) commencing on January 1, 2012 and each January 1 thereafter, the term of this Agreement will automatically be extended for an additional year unless, not later than September 30 of the immediately preceding year, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended; (ii) if a Change in Control occurs during the Term, the Term will expire on the last day of the Severance Period; and (iii) subject to Section 3(c), if, prior to a Change in Control, the Executive ceases for any reason to be a full-time employee of the Company, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect.

(z) "Termination Date" means the date on which the Executive's employment is terminated (the effective date of which will be the date of termination, or such other date that may be specified by the Executive if the termination is pursuant to Section 3(b)).

(aa) "Voting Stock" means securities entitled to vote generally in the election of directors.

(bb) "Welfare Benefits" means Employee Benefits that are provided under any "welfare plan" (within the meaning of Section 3(1) of ERISA) of the Company, and fringe benefits and other perquisites of employment, such as car allowances, club dues, financial planning and product discounts.

2. Operation of Agreement . This Agreement will be effective and binding immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, except as provided in Section 3(c), this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term, without further action, this Agreement will become immediately operative.

3. Termination Following a Change in Control. (a) In the event of the occurrence of a Change in Control, the Executive's employment may be terminated by the Company during the Severance Period and the Executive will be entitled to the benefits provided by Section 4 unless such termination is the result of the occurrence of one or more of the following events:

(i) The Executive's death;

(ii) if the Executive becomes permanently disabled within the meaning of, and begins actually to receive disability benefits pursuant to, the long-term disability plan in effect for, or applicable to, the Executive immediately prior to the Change in Control; or

(iii) Cause.

If, during the Severance Period, the Executive's employment is terminated by the Company other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), the Executive will be entitled to the benefits provided by Section 4, provided that such termination constitutes a "separation from service" as defined in Section 409A.

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company during the Severance Period for Good Reason with the right to severance compensation as provided in Section 4 regardless of whether any other reason, other than Cause, for such termination exists or has occurred, including without limitation other employment.

(c) Nothing in this Agreement will (i) be construed as creating an express or implied contract of employment, changing the status of Executive as an employee at will, giving Executive any right to be retained in the employ of the Company, or giving Executive the right to any particular level of compensation or benefits or (ii) interfere in any way with the right of the Company to terminate the employment of the Executive at any time with or without Cause, subject in either case to the obligations of the Company under this Agreement.

4. Severance Compensation. (a) If, following the occurrence of a Change in Control, the Company terminates the Executive's employment during the Severance Period other than pursuant to Section 3(a)(i), 3(a)(ii) or 3(a)(iii), or if the Executive terminates Executive's employment pursuant to Section 3(b) (any such termination, a "Triggering Termination"), provided that such Triggering Termination constitutes a "separation from service" as defined in Section 409A, the Company will pay to the Executive the amounts described in Annex A within five business days after the Termination Date (subject to the provisions of Section 4(d) of this Agreement) and will continue to provide to the Executive the benefits described in Annex A for the periods described therein.

(b) Without limiting the rights of the Executive at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the “prime rate” as set forth from time to time during the relevant period in The Wall Street Journal “Money Rates” column, plus 200 basis points, compounded monthly, or, if less, the maximum rate legally allowed. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(c) Unless otherwise expressly provided by the applicable plan, program or agreement, after the occurrence of a Change in Control, the Company will pay in cash to the Executive a lump sum amount equal to the sum of (i) any unpaid Incentive Pay that has been earned, accrued, allocated or awarded to the Executive for any performance period that by its terms as in effect prior to a Triggering Termination has been completed (any such period, a “Completed Performance Period”) (regardless of whether payment of such compensation would otherwise be contingent on the continuing performance of services by the Executive) and (ii) the Pro Rata Portion of the Incentive Pay Target in effect for any subsequent performance period. For this purpose, “Pro Rata Portion” means (x) the number of days from and including the first day immediately following the last day of the immediately preceding Completed Performance Period to and including the Termination Date, divided by (y) the total number of days in such subsequent performance period. Such payments will be made at the earlier of (x) the date prescribed for payment pursuant to the applicable plan, program or agreement and (y) within five business days after the Termination Date, and will be payable and calculated disregarding any otherwise applicable vesting requirements.

(d) To the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Agreement during the six-month period immediately following the Executive’s termination of employment shall instead be paid on the first business day after the date that is six months following the Executive’s termination of employment (or upon the Executive’s death, if earlier). In addition, for purposes of this Agreement, each amount to be paid or benefit to be provided shall be construed as a separate identified payment for purposes of Section 409A, and any payments described in Annex A that are due within the “short term deferral period” as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise.

5. Limitations on Payments and Benefits. Notwithstanding any provision of this Agreement or any Other Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement or any Other Agreement would be an Excess Parachute Payment (including after taking into account the value, to the maximum extent permitted by Section 280G of the Code, of the covenants in Section 8 hereof), but for the application of this sentence, then the payments and benefits to be paid or provided under

this Agreement and any Other Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; provided, however, that the foregoing reduction will not be made if such reduction would result in Executive receiving an After-Tax Amount less than 90% of the After-Tax Amount of the severance payments he or she would have received under Section 4 or under any Other Agreement without regard to this clause. Whether requested by the Executive or the Company, the determination of whether any reduction in such payments or benefits to be provided under this Agreement or otherwise is required pursuant to the preceding sentence, and the value to be assigned to the Executive's covenants in Section 8 hereof for purposes of determining the amount, if any, of the Excess Parachute Payment will be made at the expense of the Company by the Company's independent accountants or benefits consultant. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5 will not of itself limit or otherwise affect any other rights of the Executive pursuant to this Agreement or any Other Agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this Section 5, the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5, provided, however, that payments that do not constitute deferred compensation within the meaning of Section 409A shall be reduced first. The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days after receiving notice from the Company of a reduction under this Section 5, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation; Other Agreements. (a) The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in Paragraph 2(E) of Annex A.

(b) A termination of employment pursuant to Section 3(a), 3(b) or 3(c) will not affect any rights that the Executive may have pursuant to any agreement, policy, plan, program or arrangement of the Company or Subsidiary providing Employee Benefits, which rights will be governed by the terms thereof. To the extent that the Executive receives payments by reason of his or her termination of employment pursuant to any other employment or severance agreement or employee plan (collectively, "Other Employment Agreements"), the amounts otherwise receivable under Section 4 will be reduced by the amounts actually paid pursuant to the Other Employment Agreements, but not below zero, to avoid duplication of payments so that the total amount payable or value of benefits receivable hereunder and under the Other Employment Agreements is not less than the amounts so payable or value so receivable had such benefits been paid in full hereunder.

7. Legal Fees and Expenses. It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights in connection with any dispute arising under this Agreement because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any proceeding designed to deny, or to recover from, the Executive the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such dispute or proceeding. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all reasonable attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing; provided that, in regard to such matters, the Executive has not acted in bad faith or with no colorable claim of success. The Executive shall promptly submit a written request for reimbursement of such expenses, but in no event later than ninety days following the date on which such expenses were incurred, accompanied by such evidence of fees and expenses incurred as the Company may reasonably require, and such reimbursements will be made within thirty business days after delivery of the Executive's written requests for payment.

8. Competitive Activity; Confidentiality; Nonsolicitation. (a) For the period following the Termination Date specified in Paragraph (3) of Annex A (the "Non-Competition Period"), subject to the Executive's receipt of benefits under Section 4, the Executive will not, without the prior written consent of the Company, which consent will not be unreasonably withheld, engage in any Competitive Activity.

(b) During the Term, the Company agrees that it will disclose to Executive its confidential or proprietary information (as defined in this Section 8(b)) to the extent necessary for Executive to carry out Executive's obligations to the Company. The Executive hereby covenants and agrees that Executive will not, without the prior written consent of the Company, during the Term and two years thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" will include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by Executive's breach of this Section 8(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information will include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all

other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" will also include any Subsidiary (collectively, the "Restricted Group"). The obligations imposed by this Section 8(b) will not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information has become, through no fault of the Executive, generally known to the public or (iii) if the Executive is required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement).

(c) The Executive hereby covenants and agrees that for a period ending one year after the Termination Date Executive will not, without the prior written consent of the Company, which consent will not unreasonably be withheld as to Executive's personal assistant, on behalf of Executive or on behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee of the Restricted Group to give up, or to not commence, employment or a business relationship with the Restricted Group.

(d) Executive and the Company agree that the covenants contained in this Section 8 are reasonable under the circumstances and subject to the provisions of Section 14 of this Agreement. Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of Executive's obligations under this Section 8 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of Executive's violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage.

9. Employment Rights. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any Subsidiary prior to or following any Change in Control.

10. Withholding of Taxes. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any applicable law, regulation or ruling.

11. Successors and Binding Agreement. (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance reasonably satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by

purchase, merger, consolidation, reorganization or otherwise (and such successor will thereafter be deemed the "Company" for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto will, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 11(a) and 11(b). Without limiting the generality or effect of the foregoing, the Executive's right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by Executive's will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 11(c), the Company will have no liability to pay any amount so attempted to be assigned, transferred or delegated.

12. Notices. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx or UPS, addressed to the Company (to the attention of the Secretary of the Company) at its principal executive office and to the Executive at Executive's principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address will be effective only upon receipt.

13. Governing Law. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Delaware and federal law, without giving effect to the principles of conflict of laws of such State, except as expressly provided herein. In the event the Company exercises its discretion under Section 8(d) to bring an action to enforce the covenants contained in Section 8 in a court of competent jurisdiction where the Executive has breached or threatened to breach such covenants, and in no other event, the parties agree that the court may apply the law of the jurisdiction in which such action is pending in order to enforce the covenants to the fullest extent permissible.

14. Validity. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, including without limitation Section 8 hereof, the remainder of this Agreement and the application of such provision to any other person or circumstance will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable,

valid or legal. If any covenant in Section 8 should be deemed invalid, illegal or unenforceable because its time, geographical area, or restricted activity, is considered excessive, such covenant will be modified to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

15. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. The headings used in this Agreement are intended for convenience or reference only and will not in any manner amplify, limit, modify or otherwise be used in the construction or interpretation of any provision of this Agreement. References to Sections are to Sections of this Agreement. References to Paragraphs are to Paragraphs of an Annex to this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation will also include any successor provision thereto.

16. Survival. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 3(c), 4, 5, 7, 8, 9, 10, 11(b), 16 and 18 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever.

17. Beneficiaries. The Executive will be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death, and may change such election, in either case by giving the Company written notice thereof in accordance with Section 12. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the "Executive" will be deemed, where appropriate, to the Executive's beneficiary, estate or other legal representative.

18. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same agreement.

19. Section 409A. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A. This Agreement will be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A will have no force and effect until amended to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A and may be made by the Company without the consent of the Executive). Prior to any Change in Control, the Company and the Executive will agree to any amendment of this Agreement approved by the Board based on the advice of Skadden, Arps, Slate,

Meagher & Flom, LLP or any other nationally recognized law firm designated by the Board that such amendment, if implemented, is or is reasonably likely to reduce any adverse effect on the Company or the Executive of any rule, regulation or IRS interpretation of Section 409A and that such firm is recommending similar changes or provisions to its other clients that have change-in-control, severance or employment agreements or plans.

[Intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the date first above written.

ABM INDUSTRIES INCORPORATED

By: /s/ Erin Andre

Title: Senior Vice President- Human Resources

TRACY K. PRICE

Signature: /s/ Tracy K. Price

SEVERANCE COMPENSATION, ETC.

(1) A lump sum payment in an amount equal to two times the sum of (A) Base Pay (at the rate in effect for the year in which the Termination Date occurs), plus (B) Incentive Pay Target (or, if the Incentive Pay Target shall not have been established or shall be reduced after a Change in Control, the highest aggregate Incentive Pay Target as in effect for any of the three fiscal years immediately preceding the year in which the Change in Control occurred).

(2) (A) For any Welfare Benefits that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination or denial described in Section 1(1)(ii)) that are considered to be “reimbursement arrangements” covered under Section 1.409A-1(b)(9)(iv)(A) of the Code:

- (i) for a period of 18 months following the Termination Date (the “Continuation Period”), the Company will arrange to provide the Executive with Welfare Benefits substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(I)(ii)) except that the level of any such Welfare Benefits to be provided to the Executive may be reduced in the event of a corresponding reduction generally applicable to all similarly situated recipients of or participants in such Welfare Benefits. If and to the extent that any benefit described in this Paragraph 2 is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any Subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, Executive’s dependents and beneficiaries, of such Welfare Benefits along with, in the case of any benefit described in this Paragraph 2 that is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any Subsidiary, an additional amount such that after payment by the Executive, or Executive’s dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Such tax payment will be made to the Executive by the Company no later than December 31st of the year in which the Executive remits such tax payments to the appropriate taxing authorities.

(ii) the Company will pay to the Executive, in a lump sum within the time period described in Section 4(a), an amount equal to the difference between (1) the present value of the continuation of such benefits for 18 months and (2) the present value of the benefits the Executive will receive under Paragraph 2(A) (i).

(B) Notwithstanding the foregoing, or any other provision of the Agreement, for purposes of determining the period of continuation coverage to which the Executive or any of Executive's dependents is entitled pursuant to Section 4980B of the Code under the Company's medical, dental and other group health plans, or successor plans, the Executive's "qualifying event" will be the termination of the Continuation Period and the Executive will be considered to have remained actively employed on a full-time basis through that date, provided, however, that (1) with respect to health benefits the continuation period will in all events terminate on the 18-month anniversary of the termination date as so determined and (2) the Company will pay, or reimburse the Executive for, all COBRA continuation costs during such period.

(C) For purposes of the immediately preceding sentence and for purposes of calculating service or age to determine the Executive's eligibility for welfare benefits, including benefits under any retiree medical benefits or life insurance plan or policy, the Executive will be considered to have remained actively employed on a full-time basis through the termination of the Continuation Period.

(D) For any Welfare Benefits that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 1(1)(5)) that are not considered to be "reimbursement arrangements" covered under Section 1.409A-1(b)(9)(iv)(A) of the Code, the Company shall pay to the Executive, within the time period described in Section 4(a), in a lump sum, an amount equal to the present value of the continuation of such benefits for 18 months following the Termination Date.

(E) Welfare Benefits otherwise receivable by the Executive pursuant to this Paragraph 2 will be reduced to the extent comparable Welfare Benefits are actually received by the Executive from another employer during the Continuation Period following the Executive's Termination Date, and any such Welfare Benefits actually received by the Executive will be reported by the Executive to the Company.

(3) The Non-Competition Period contemplated by Section 8(a) will be 12 months from the Termination Date.

**SUBSIDIARIES OF REGISTRANT
AS OF OCTOBER 31, 2011**

ABM INDUSTRIES INCORPORATED

(*) ABM Security Services, Inc.

Ampco System Parking

Ampco Pacific Airpark, LLC***

Pansini Oakland Associates, LP***

FSP PPM Management, LLC****

Five Star U Street Metropolitan Airport Parking, LLC****

FSP PPM Oakland Airport Management, LLC****

Five Star/Universal Joint Venture****

American Public Services

ATL and Electrical Services

ATL Services

ATL Services of the Midwest

ABM Janitorial Services, Inc.

ABM Janitorial Services – Mid-Atlantic, Inc.

ABM Janitorial Services – North Central, Inc.

ABM Janitorial Services – Northeast, Inc.

ABM Janitorial Services – Northwest, Inc.

ABM Janitorial Services – South Central, Inc.

Servall Services Inc.

ABM Janitorial Services – Southeast, LLC

ABM Government Services, Inc.

ABM Services, Inc.

ABM Janitorial Services Co., Ltd.

Canadian Building Maintenance Company, Ltd.

Supreme Building Maintenance, Ltd.

Diversco, Inc.

OneSource Holdings, LLC

OneSource Facility Services, Inc.

OneSource Servicios de Mexico S.A. de C.V.

FCI Servicios de Mexico S.A. de C.V.

FCI Servisistema S.A. de C.V.

OneSource Painting, Inc.**

OneSource Property Holdings, Inc.**

SM Newco Corp.

Southern Management Co.

ABM Shared Services, Inc.

Amtech Energy Services**

Amtech Reliable Elevator Company of Texas**

OneSource Services, LLC

The Linc Group, LLC

Home Performance Enterprises, LLC

GreenHomes Performance Services, LLC

GreenHomes Multi-Family Services, LLC

GreenHomes America, LLC

GreenHomes America, LP***

REEP, Inc.

Linc Government Services, LLC

Linc Government Services Afghanistan Branch, LLC

Linc Government Services Germany GMBH

Ferguson-Williams LLC

FWH, LLC****

TSAY/Ferguson-Williams, LLC****

AFH Services, LLC****

TC&S/Ferguson-Williams, LLC****

Circinus/LGS, LLC****
CGL/BMAR Joint Venture, LLC****
J&J/BMAR Joint Venture, LLC****
EML/BMAR Joint Venture, LLC****
EML/BMAR Joint Venture II, LLC****
EML/BMAR Joint Venture III, LLC****
EML/BMAR Joint Venture IV, LLC****
EML/BMAR Joint Venture V, LLC****
EML/BMAR Joint Venture VI, LLC****
EML/BMAR Joint Venture VII, LLC****
EJB Facility Services JV LLC****
Derichebourg/BMAR Joint Venture****
Defense Logistics Solutions, LLC****
ABM Facility Services, Inc.
Linc Facility Services Canada, ULC
DT-Linc, LLC (JV)****
Skyline Management Group, JV****
Skyline Management Group 2, JV****
Trio Facility Management, LLC****
Linc International, Inc.
Linc Facility Services Kuwait, LLC
Linc Facility Services Egypt, LLC
Linc Facility Services UAE, LLC
MxCare-Linc International, LLC****
Linc Facility Services Iraq LLC
Wassl Al-Iraq Project Services & General Contracting LLPC
Linc Facility Services ME, LLC
Linc Facility Services Saudi Arabia, LLC****
Linc Facility Services Egypt, LLC (Egyptian Co.)****
Linc Facility Services MENA, WLL****
Linc Network, LLC
Linc Building & Energy Solutions, Inc.
Linc Mechanical LLC
Linc Services, LLC
Linc Services, Mid-Atlantic LLC
MET Electrical Testing LLC
CET Electrical Testing LLC
Linc Health, LLC
Linc Health, Inc.
Pro Mechanical Services, Inc.
ABM Electrical Network, Inc.
ABM Electrical Solutions, Inc.
Key Electric, Inc.
Sundown Lighting, Inc.
Linc Western Air, LP***
Linc APP, LLC****

* Subsidiary relationship to Company or to subsidiary parents shown by progressive indentation.

** Inactive companies

*** Limited Partnership

**** Joint Venture

Consent of Independent Registered Public Accounting Firm

The Board of Directors
ABM Industries Incorporated:

We consent to the incorporation by reference in the registration statements listed below of ABM Industries Incorporated of our report, dated December 23, 2011, with respect to the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2011, and the related financial statement Schedule II, and the effectiveness of internal control over financial reporting as of October 31, 2011, which report appears in the October 31, 2011 annual report on Form 10-K of ABM Industries Incorporated.

| <u>Registration No.</u> | <u>Form</u> | <u>Plan</u> |
|-------------------------|-------------|---|
| 333-167464 | S-8 | 2004 Employee Stock Purchase Plan |
| 333-78423 | S-8 | "Age-Vested" Career Stock Option Plan |
| 333-78421 | S-8 | "Time-Vested" Incentive Stock Option Plan |
| 333-48857 | S-8 | 1996 Price Vested Performance Stock Option Plan |
| 333-85390 | S-8 | 2002 Price Vested Performance Stock Option Plan |
| 333-116487 | S-8 | 2004 Employee Stock Purchase Plan |
| 333-137241 | S-8 | 2006 Equity Incentive Plan |
| 333-159770 | S-8 | 2006 Equity Incentive Plan |

(signed) KPMG LLP

New York, New York
December 23, 2011

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

I, Henrik C. Slipsager, certify that:

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

December 23, 2011

/s/ Henrik C. Slipsager

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

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

I, James S. Lusk, certify that:

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

December 23, 2011

/s/ James S. Lusk

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

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

In connection with the Annual Report of ABM Industries Incorporated (the "Company") for the year ended October 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Henrik C. Slipsager, Chief Executive Officer of the Company, and James S. Lusk, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

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

December 23, 2011

/s/ Henrik C. Slipsager

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

December 23, 2011

/s/ James S. Lusk

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