TruGreen LandCare
Form S-1
October 22, 2008

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As filed with the Securities and Exchange Commission on October 22, 2008

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE SERVICEMASTER COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**8741**	**36-3858106**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

860 Ridge Lake Boulevard
Memphis, Tennessee 38120
(901) 597-1400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Greerson G. McMullen
Senior Vice President and General Counsel
860 Ridge Lake Boulevard
Memphis, Tennessee 38120
(901) 597-1400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
10.75%/11.50% Senior Toggle Notes due 2015	$1,150,000,000	100%	$1,150,000,000	$45,195.00
Guarantees(2)				

(1) Estimated solely to compute the amount of the registration fee under Rule 457 under the Securities Act of 1933, as amended, based on 100% of the aggregate principal amount of the 10.75%/11.50% Senior Toggle Notes due 2015.

(2) Guarantees of ServiceMaster's 10.75%/11.50% Senior Toggle Notes due 2015 by InStar Services Group, Inc., Merry Maids Limited Partnership, MM Maids L.L.C., ServiceMaster Consumer Services, Inc., ServiceMaster Consumer Services Limited Partnership, ServiceMaster Holding Corporation, ServiceMaster Management Corporation, ServiceMaster Residential/Commercial Services Limited Partnership, SM Clean L.L.C., Terminix International, Inc., The Terminix International Company Limited Partnership, TruGreen Companies L.L.C., TruGreen, Inc., TruGreen LandCare L.L.C., TruGreen Limited Partnership and TruGreen LandCare. Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no separate fee is required for the guarantees.

Table of Additional Registrants

Exact name of registrant as specified in its charter*	Primary Standard Industrial Classification Code Number	State or other jurisdiction of incorporation or organization	I.R.S. employer identification number
InStar Services Group, Inc.	8741	Delaware	87-0687689
Merry Maids Limited Partnership	7349	Delaware	47-0718233
MM Maids L.L.C.	8741	Delaware	06-1668989
ServiceMaster Consumer Services, Inc.	8741	Delaware	36-3729225
ServiceMaster Consumer Services Limited Partnership	8741	Delaware	36-3729226
ServiceMaster Holding Corporation	8741	Delaware	36-4245384
ServiceMaster Management Corporation	8741	Delaware	36-3837079
ServiceMaster Residential/Commercial Services Limited Partnership	8741	Delaware	36-3747477
SM Clean L.L.C.	8741	Delaware	06-1668984
Terminix International, Inc.	8741	Delaware	36-3478839
The Terminix International Company Limited Partnership	7342	Delaware	36-3478837
TruGreen Companies L.L.C.	8741	Delaware	36-4313320
TruGreen, Inc.	8741	Delaware	36-3734601
TruGreen LandCare L.L.C.	0782	Delaware	36-4313318
TruGreen Limited Partnership	0782	Delaware	36-3734669
TruGreen LandCare	0782	California	36-4313318

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* The address for each of the additional registrants' principal executive office is 860 Ridge Lake Boulevard, Memphis, Tennessee 38120, and the telephone number for each of the additional registrants' principal executive office is (901) 597-1400.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 22, 2008

PRELIMINARY PROSPECTUS

10.75%/11.50% Senior Toggle Notes due 2015

Fully and unconditionally guaranteed by the Subsidiary Guarantors

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This prospectus relates to $1,150,000,000 aggregate principal amount of our 10.75%/11.50% Senior Toggle Notes due 2015 (the "Notes") which were originally issued by us in an offering exempt from the registration requirements of the Securities Act. The selling securityholders named herein may use this prospectus to resell from time to time any or all of their Notes and related guarantees described below. We will not receive any proceeds from the resale by the selling securityholders of the Notes and related guarantees.

Interest on the Notes is payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2009. The Notes will mature on July 15, 2015.

For any semi-annual interest payment period through July 15, 2011, we may, at our option, elect to pay interest on the Notes (1) entirely in cash ("Cash Interest"), (2) entirely by increasing the principal amount of the outstanding Notes ("PIK Interest") or (3) 50% as Cash Interest and 50% as PIK Interest. Cash Interest will accrue on the Notes at a rate per annum equal to 10.75%. PIK Interest will accrue on the Notes at a rate per annum equal to 11.50%, which is the Cash Interest rate plus 75 basis points. If we elect to pay PIK Interest, we will increase the principal amount of the notes in an amount equal to the amount of PIK Interest payable for the applicable payment period to holders of the notes on the relevant record date. Interest payable after July 15, 2011 will be payable in the form of Cash Interest.

We may redeem the Notes, in whole or in part, at our option, at any time prior to July 15, 2011, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the redemption date plus the applicable make-whole premium described in this prospectus. We may redeem some or all of the Notes at any time on and after July 15, 2011, at the redemption prices described in this prospectus. In addition, on or prior to July 15, 2010, we may on one or more occasions, at our option, apply funds equal to the offering proceeds from one or more equity offerings to redeem up to 35% of the Notes at the redemption price set forth in this prospectus. If we undergo a change of control or sell certain of our assets, we may be required to offer to purchase the Notes from holders.

The Notes are our senior unsecured obligations and rank equally in right of payment with all of our other existing and future senior unsecured indebtedness. The Notes are guaranteed by certain of our subsidiaries on a senior unsecured basis. The subsidiary guarantees are general unsecured senior obligations of the subsidiary guarantors and rank equally in right of payment with all of the existing and future senior unsecured indebtedness of the subsidiary guarantors. The Notes are effectively subordinated to any indebtedness of our non-guarantor subsidiaries. The Notes are effectively junior to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

We have not applied, and do not intend to apply, to list the Notes sold using this prospectus on any national securities exchange or automated quotation system.

Investing in the Notes involves substantial risks. See "Risk Factors" beginning on page 7 of this prospectus for a discussion of the risks you should consider in connection with an investment in the Notes.

The Notes, including the related guarantees, may be offered and sold from time to time by the selling securityholders named in this prospectus either directly or through agents or broker-dealers acting as principal or agent. The selling securityholders may engage underwriters, brokers, dealers or agents, who may receive commissions or discounts from the selling securityholders. We will pay substantially all of the expenses incident to the registration of the Notes, including the related guarantees, except for the selling commissions, if any. See "Plan of Distribution."

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2008.

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In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with information that is different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor the selling securityholders are making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus and may not contain all the information that you need to consider in making your investment decision. Before making a decision to purchase the Notes, you should read the entire prospectus carefully, including the "Risk Factors" and "Forward-Looking Statements" sections and our consolidated financial statements and the notes to those financial statements. When used in this prospectus, the terms "the Company," "ServiceMaster," "the issuer," "we," "our," and "us" refer to The ServiceMaster Company.

Company Overview

The ServiceMaster Company ("ServiceMaster" or the "Company") is a national company serving both residential and commercial customers. Its services include lawn care, landscape maintenance, termite and pest control, home warranty, cleaning and disaster restoration, house cleaning, furniture repair, and home inspection. As of September 30, 2008, ServiceMaster provided these services through a network of approximately 5,500 company-owned locations and franchise licenses operating under the following leading brands: TruGreen, TruGreen LandCare, Terminix, American Home Shield, Merry Maids, ServiceMaster Clean, Furniture Medic and AmeriSpec. Approximately 98% of our revenues are generated by sales in the United States.

ServiceMaster is organized into five principal operating segments: TruGreen LawnCare; TruGreen LandCare; Terminix; American Home Shield; and Other Operations and Headquarters. All ServiceMaster subsidiaries are wholly owned. Our principal executive offices are located at 860 Ridge Lake Boulevard, Memphis, Tennessee 38120. Our telephone number at that address is (901) 597-1400. Our primary website is *www.servicemaster.com*. Information contained, or referred to, on our website is not part of this prospectus.

The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of Notes" section of this prospectus contains more detailed descriptions of the terms and conditions of the Notes.

Issuer	The ServiceMaster Company.
Securities	$1,150,000,000 aggregate principal amount of 10.75%/11.50% Senior Toggle Notes due 2015.
Maturity	The Notes will mature on July 15, 2015.
Interest rate	For any semi-annual interest payment period through July 15, 2011, we may, at our option, elect to pay interest (1) entirely as Cash Interest, (2) entirely as PIK Interest or (3) 50% as Cash Interest and 50% as PIK Interest. Cash Interest will accrue on the Notes at a rate per annum equal to 10.75%. PIK Interest shall accrue on the Notes at a rate per annum equal to 11.50%, which is the Cash Interest rate plus 75 basis points. If we elect to pay PIK Interest, we will increase the principal amount of the Notes in an amount equal to the amount of PIK Interest payable for the applicable payment period to holders of the Notes on the relevant record date. Interest payable after July 15, 2011 will be payable in the form of Cash Interest.
	If we do not elect the form of interest payment with respect to a relevant interest payment date, the interest on the Notes will be payable on the related interest payment date in the form specified in the most recent interest election delivered by us. We have elected to pay interest due and payable on January 15, 2009 entirely in the form of Cash Interest.
Interest payment dates	January 15 and July 15, commencing on January 15, 2009. Interest will accrue on the Notes from July 24, 2008.
Ranking	The Notes are unsecured senior indebtedness of ServiceMaster and rank:
	equal in right of payment to all existing and future senior indebtedness of ServiceMaster;
	senior in right of payment to all existing and future subordinated obligations of ServiceMaster; and
	effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness and to all indebtedness and other liabilities of our subsidiaries (other than subsidiaries that are or become guarantors).
	As of June 30, 2008:
	we had $4,101 million of consolidated indebtedness, substantially all of which would have ranked equally in right of payment with the Notes.

	of our consolidated indebtedness, we had $2,624 million of secured indebtedness under our Credit Facilities, to which the Notes are effectively subordinated, and have $500 million of additional commitments under the Revolving Credit Facility available to us ($335 million as of September 30, 2008), all of which would be secured if borrowed.
	our non-guarantor subsidiaries had approximately $161 million of total debt and capital leases, including intercompany notes payable to ServiceMaster and the guarantor subsidiaries and excluding trade payables and other obligations, all of which are structurally senior to the Notes.
Guarantees	The Notes are guaranteed, on a senior basis, by certain domestic subsidiaries of ServiceMaster. These guarantees are subject to release under specified circumstances. See "Description of Notes Subsidiary Guarantees." The guarantee of each guarantor is a senior unsecured obligation of that guarantor and ranks:
	equal in right of payment to all existing and future senior indebtedness of that guarantor;
	senior in right of payment to all existing and future guarantor subordinated obligations; and
	effectively subordinated to all secured indebtedness of that guarantor to the extent of the value of the assets securing such indebtedness.
Optional redemption	We may redeem the Notes, in whole or in part, at our option, at any time (1) prior to July 15, 2011, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus the applicable make-whole premium described under "Description of Notes Redemption" and (2) on and after July 15, 2011, at the redemption prices listed under "Description of Notes Redemption."
Optional redemption after certain equity offerings	On or prior to July 15, 2010, we may on one or more occasions, at our option, apply funds equal to the offering proceeds from one or more equity offerings to redeem up to 35% of the Notes at the redemption price listed under "Description of Notes Redemption."
Change of control	If we experience a Change of Control, as described under "Description of Notes Change of Control," we must offer to repurchase all of the Notes (unless otherwise redeemed) at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

Mandatory principal redemption	If the Notes would otherwise constitute "applicable high yield discount obligations" ("AHYDO") within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), at the end of each tax accrual period beginning with the first tax accrual period ending after July 15, 2012 (each, an "AHYDO redemption date"), we will be required to redeem for cash a portion of each such note then outstanding equal to the "mandatory principal redemption amount" with respect to such accrual period (such redemption, a "mandatory principal redemption"). The redemption price for the portion of each note redeemed pursuant to a mandatory principal redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The "mandatory principal redemption amount" with respect to such accrual period means the portion of a note required to be redeemed to prevent such note from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the Notes prior to an AHYDO redemption date pursuant to any other provision of the indenture for the Notes will alter our obligation to make a mandatory principal redemption with respect to any Notes that remain outstanding on such AHYDO redemption date.
Covenants	The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:
	incur more debt;
	pay dividends, redeem stock or make other distributions;
	make investments;
	create liens;
	transfer or sell assets;
	merge or consolidate; and
	enter into certain transactions with our affiliates.
	These covenants are subject to important exceptions and qualifications, which are described under "Description of Notes Certain covenants" and "Description of Notes Merger and consolidation."
Trading market for the Notes	There can be no assurance as to the development or liquidity of any trading market for the Notes.

Risk Factors

Investment in the Notes involves risks. You should carefully consider the information under the section titled "Risk Factors" and all other information included in this prospectus and the documents incorporated by reference before investing in the Notes.

Summary Historical Consolidated Financial Information

We have provided the following summary historical consolidated financial information for your reference. We have derived the summary financial information for each of the years ended December 31, 2005 through December 31, 2007 from our audited consolidated financial statements. The summary financial information for each of the six months ended June 30, 2007 and June 30, 2008 is unaudited and includes all adjustments (consisting of normal recurring items) which are, in our opinion, necessary for a fair presentation of our financial position as of such dates and results of operations for such periods. The results of operations for the six months ended June 30, 2008 are not necessarily indicative of the results for our full fiscal year ending December 31, 2008. This summary financial information should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included herein.

	Successor	Predecessor	Successor	Predecessor				
	Six months ended June 30		For the periods from		Year ended December 31			
(In thousands, except per share data)	2008	2007	Jul. 25, 2007 to Dec. 31, 2007	Jan. 1, 2007 to Jul. 24, 2007	2006	2005	2004	2003
Operating Results:								
Operating revenue	$ 1,629,536	$ 1,682,232	$ 1,422,358	$ 1,934,390	$ 3,332,703	$ 3,239,478	$ 3,068,068	$ 2,895,028
Operating income(1)	103,877	159,094	33,240	143,932	324,128	340,083	324,308	110,655
Percentage of operating revenue	*6.4%*	*9.5%*	*2.3%*	*7.4%*	*9.7%*	*10.5%*	*10.6%*	*3.8%*
Non-operating expense	175,169	5,480	181,734	6,551	43,639	45,385	53,464	58,394
(Benefit) provision for income taxes(1),(2)	(17,024)	53,313	(52,182)	51,692	95,205	114,137	(45,779)	54,716
(Loss) income from continuing operations(1),(2)	(54,268)	100,301	(96,312)	85,689	185,284	180,561	316,623	(2,455)
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes(1),(2)	(3,484)	(3,121)	(27,208)	(4,588)	(15,585)	18,364	14,604	(222,232)
Net (loss) income	$ (57,752)	$ 97,180	$ (123,520)	$ 81,101	$ 169,699	$ 198,925	$ 331,227	$ (224,687)
Cash dividends per share	$	$	$	$ 0.24	$ 0.46	$ 0.44	$ 0.43	$ 0.42
Financial Position (at period end):								
Total assets	$ 7,529,452	$ 3,265,663	$ 7,591,060		$ 3,134,441	$ 3,048,009	$ 3,161,074	$ 2,975,131
Total liabilities	6,274,085	2,008,787	6,287,526		1,945,583	1,893,369	2,069,539	2,058,305
Total long-term	4,101,393	654,948	4,130,811		706,954	677,289	825,959	837,976

	Successor	Predecessor	Successor	Predecessor				
debt outstanding								
Minority interest					100,000	100,000	100,000	100,309
Shareholders' equity(1),(2)	1,255,367	1,256,876	1,303,534		1,088,858	1,054,640	991,535	816,517

(1) The 2007 and 2008 results include restructuring charges for severance, as well as costs associated with our current restructuring initiative, Fast Forward, and payments for employee retention and severance related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $7.3 million in the six months ended June 30, 2008, $15.3 million in the six months ended June 30, 2007, $26.0 million in the period from July 25 to December 31, 2007 and $16.9 million in the period from January 1 to July 24, 2007. The 2006 results include

restructuring charges for severance, as well as costs associated with "Project Accelerate", the Company's initiative to improve the effectiveness and efficiency of its functional support areas, and accruals for employee retention and severance to be paid in future periods that are related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $21.6 million, which includes approximately $6 million of non-recurring net operating loss carry forward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis.

The results also include merger charges related to the purchase of ServiceMaster by a group of investors led by Clayton, Dubilier & Rice, Inc. The merger related charges totaled $0.4 million in the six months ended June 30, 2008, $5.3 million in the six months ended June 30, 2007, $0.8 million in the period from July 25 to December 31, 2007, $41.4 million in the period from January 1 to July 24, 2007 and $1.0 million in 2006.

In accordance with SFAS 142, the Company's goodwill and intangible assets that are not amortized are subject to at least an annual assessment for impairment by applying a fair-value based test. In the fourth quarter of 2007, the Company recorded a non-cash impairment charge associated with the goodwill at its InStar business in the amount of $12.9 million. This charge is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes." In the first quarter of 2006, the Company recorded a $42 million impairment charge for expected losses on the disposition of American Residential Services and American Mechanical Services, which is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes".. In the third quarter of 2003, the Company recorded a non-cash impairment charge associated with the goodwill and intangible assets at its TruGreen LandCare business unit. This charge, which is included in the results of continuing operations for 2003, totaled $189 million. Also in the third quarter of 2003, the Company recorded a non-cash impairment charge of $292 million associated with the goodwill and intangible assets of certain sold operations and this charge is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes".

In addition to the impairment charges noted above, the Company also recorded pre-tax impairment charges of $6.3 million in the second quarter of 2008 and $18.1 million in the fourth quarter of 2007 related to the long-lived assets (other than goodwill) at its InStar business in connection with the decision to sell the InStar business. This charge is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes."

(2)

In the fourth quarter of 2006, the Company recorded a reduction in income tax expense of $7 million resulting from the favorable resolution of state tax items related to a prior non-recurring transaction.

Related to a comprehensive agreement with the Internal Revenue Service regarding its examination of the Company's federal income taxes through the year 2002, the Company recorded a non-cash reduction in its 2004 tax provision related to deferred taxes on intangible assets, which had not previously been recorded, thereby increasing net income by approximately $159 million. Approximately $150 million related to continuing operations and $9 million related to discontinued operations.

Ratios of Earnings to Fixed Charges

Our consolidated ratios of earnings to fixed charges for the six months ended June 30, 2008 and 2007, for the periods from July 25, 2007 to December 31, 2007 and January 1, 2007 to July 24, 2007 and for the years ended December 31, 2006, 2005, 2004 and 2003 are as follows:

	Successor	Predecessor	Successor	Predecessor				
	Six months ended June 30		For the periods from		Year ended December 31			
			Jul. 25, 2007 to Dec. 31,	Jan. 1, 2007 to Jul. 24,				
	2008	2007	2007	2007	2006	2005	2004	2003
Ratios of Earnings to Fixed Charges	(a)	5.87	(b)	4.92	5.05	5.53	4.94	1.71

(a)

For purposes of the ratio calculation, the deficiency in our earnings to achieve a one-to-one ratio of earnings to fixed charges for the six months ended June 30, 2008 was approximately $71.3 million. For purposes of calculating our ratio of earnings to fixed charges

for the six months ended June 30, 2008, fixed charges were approximately $173 million.

(b) For purposes of the ratio calculation, the deficiency in our earnings to achieve a one-to-one ratio of earnings to fixed charges for the period from July 25, 2007 to December 31, 2007 was approximately $148.5 million. For purposes of calculating our ratio of earnings to fixed charges for the period from July 25, 2007 to December 31, 2007, fixed charges were approximately 177.9 million.

RISK FACTORS

An investment in the Notes involves substantial risks. In addition, our business, operations and financial condition are subject to various risks. You should consider the risks described below with all of the other information included in this prospectus before making an investment decision. The risks and uncertainties described below are not the only ones relevant to us or to an investment in the Notes. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also impair our business, results of operations, financial condition and liquidity. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

Risks related to our business and our industry

Weather conditions and seasonality affect the demand for our services and our results of operations.

The demand for our services and our results of operations are affected by weather conditions and by the seasonal nature of our lawn care and landscape maintenance services, termite and pest control services, home warranty and home inspection services, and disaster restoration services. For example, in our markets that do not have a year-round growing season, the demand for our lawn care and landscape maintenance services decreases during the winter months. Droughts and late spring or fall snow storms can adversely impact the demand for lawn care and landscape maintenance services; above normal temperatures can result in increased service calls in the home warranty business; and cooler temperatures can impede the development of the termite swarm and lead to lower demand for our termite services. For instance, in the first quarter of 2008, results in our TruGreen LawnCare segment were adversely impacted by poor weather.

Our markets are highly competitive. Competition could reduce our market share and adversely impact our results of operations.

We operate in highly competitive markets. Changes in the source and intensity of competition in the markets served by us impact the demand for our services and may result in additional pricing pressures. The relatively low capital cost of entry to certain of our businesses has led to strong competitive markets, including regional and local owner-operated companies. Regional and local competitors operating in a limited geographic area may have lower labor, benefits and overhead costs. The principal methods of competition in our businesses include name recognition, quality and speed of service, pricing, customer satisfaction and reputation. No assurance can be given that we will be able to compete successfully against current or future competitors and that the competitive pressures that we face will not result in reduced market share or negatively impact our financial performance.

Increases in raw material prices, fuel prices and other operating costs adversely affect our results of operations.

Our financial performance is affected by the level of our operating expenses, such as fuel, raw materials, wages and salaries, employee benefits, health care, vehicle, self-insurance costs and other insurance premiums as well as various regulatory compliance costs, all of which may be subject to inflationary pressures. In particular, our financial performance is adversely affected by increases in these operating costs. In recent years, fuel prices have fluctuated widely and have generally increased, including sharp increases in 2007 and 2008. These fuel price increases raise our costs of operating vehicles and equipment. Fuel price increases can also result in increases in the cost of fertilizer, chemicals and other materials used in our business. We cannot predict the extent to which we may experience future increases in fuel costs and other operating costs. In the first six months of 2008, increases in fuel, fertilizer and other costs throughout the Company negatively impacted our cost of services rendered and products sold. To the extent such cost increases continue, we may not be able to

fully pass these increased costs through to our existing and prospective customers, and the rates we pay to our subcontractors may increase, any of which could have a material adverse impact on our operating results. With respect to fuel, our fleet, which consumes roughly 30 million gallons annually, has been negatively impacted by significant increases in fuel prices. Each year, we typically hedge approximately two-thirds of our estimated annual fuel usage. As of September 30, 2008, a 10% change in fuel prices would result in a change of approximately $12 million in the Company's annual fuel cost before considering the impact of fuel swap contracts. A shortage in supply of fuel would also adversely affect our business.

Our future success depends on our ability to attract and retain trained workers and third party contractors.

Our future success and financial performance depends substantially on our ability to attract, retain and train workers and attract and retain third party contractors. Our ability to expand our operations is in part impacted by our ability to increase our labor force including on a seasonal basis, which may be adversely impacted by a number of factors, including a failure of the U.S. Congress to reauthorize the returning worker exception to the H2B Visa Program, which may negatively impact the number of foreign nationals available to engage in seasonal employment. In the event of a labor shortage, we could experience difficulty in delivering our services in a high-quality or timely manner and could be forced to increase wages in order to attract and retain employees, which would result in higher operating costs and reduced profitability.

We may not successfully implement our business strategies or realize all of our expected cost savings.

We may not be able to fully implement our business strategies or realize, in whole or in part within the time frames anticipated, the anticipated benefits of our various initiatives, such as our Terminix Termite Inspection and Protection Plan and TruGreen Targeted Lawn Care program and our agreement with Realogy Corporation, or our expected cost savings and efficiency improvements, including those related to the Company's reorganization and restructuring of certain of its businesses and support functions ("Fast Forward"). Our various business strategies and initiatives, including our productivity and customer retention initiatives, are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. We expect to incur certain costs to achieve our expected cost savings and efficiency improvements. These costs may turn out to be substantially higher than we currently estimate, and we may not fully achieve our expected cost savings and efficiency improvements. Our ability to successfully realize cost savings and the timing of any realization may be affected by factors such as the need to ensure continuity in our operations, contracts, regulations and/or statutes governing employee-employer relationships, our ability to renegotiate contracts or find alternative suppliers and other factors. Our business strategy may also change from time to time. As a result, we may not be able to achieve our expected results of operations.

Changes in general economic conditions, especially as they may affect home re-sales or consumer confidence or spending levels, may adversely affect the demand for our services.

Changes in general economic conditions and consumer confidence affect the demand for our services. Unfavorable general economic conditions such as those experienced recently, including rising fuel prices, changes in interest rates, continued or further softening of the home resale market, increases in home foreclosures, disruption of the credit markets and increases in unemployment rates, could reduce consumer confidence and related spending levels and, in turn, reduce the demand for our services. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would negatively impact our operating revenues, profitability and cash flow.

Public perceptions that our products and services are not environmentally friendly or safe may adversely affect the demand for our services.

In providing our services, we use, among other things, fertilizers, herbicides and pesticides. Public perception that our products and services are not environmentally friendly or safe, whether justified or not, could lead to reduced demand for our services, impair our reputation, involve us in litigation, damage our brand names and otherwise have a material adverse effect on our business, financial condition and results of operations.

Changes in the types or mix of our service offerings could affect our financial performance.

Our financial performance is affected by changes in the types or mix of services we offer our customers. For example, when Terminix transitioned from offering primarily bait termite services to providing both liquid and bait termite services, this transition required the purchase of additional equipment and additional training for our associates. The bait and termite service lines also have different price points (for both the initial treatment and for renewals), different ongoing service obligations, and different revenue recognition policies. These changes in mix can also affect the timing of our revenues. An unsuccessful rollout or adjustment of our service offerings could have a material adverse effect on our financial performance.

Government laws and regulations applicable to our businesses could increase our legal and regulatory expenses and affect our financial performance.

Our businesses are subject to significant federal, state and local laws and regulations. These federal and state laws include laws relating to consumer protection, wage and hour requirements, the employment of immigrants, permit and licensing requirements, workers' safety, the environment, insurance and home warranty, employee benefits, telemarketing, the application of fertilizers, herbicides, pesticides and other chemicals, noise and air pollution from power equipment and local regulations, including water management techniques. It is difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting our businesses. The laws and regulations applicable to our businesses will likely change in the future and affect our operations and financial performance. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation and suffer the loss of licenses or penalties that may affect how our business is operated, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

The loss of the services of management personnel and other employees as a result of restructuring could adversely affect our financial performance.

Among the purposes of Fast Forward is to eliminate layers and bureaucracy and simplify work processes in order to better align the Company's work processes around its operational and strategic objectives. Fast Forward has resulted in employee workforce reductions as part of the cost-savings to be achieved and may include additional workforce reductions in the future. Ultimately, Fast Forward is expected to enhance our financial performance; however, the loss of management personnel and other employees could affect our success and financial performance until the Fast Forward process is completed.

Our business process outsourcing initiatives may increase our reliance on third-party contractors and expose our business to harm upon the termination or disruption of our third-party contractor relationships.

Our strategy to increase profitability by reducing our costs of operations includes the consideration of business process outsourcing initiatives. As a result, our future operations may increasingly rely on

third-party vendors to provide services that we currently perform internally. Any disruption, termination, or substandard performance of these outsourced services, including possible breaches by third party vendors of their agreements with us, could adversely affect our brands, customer relationships, operating results and financial condition. Also, if a third-party outsourcing provider relationship is terminated, there is a risk that we may not be able to enter into a similar agreement with an alternate provider in a timely manner or on terms that we consider favorable. In addition, in the event a third-party outsourcing relationship is terminated and we are unable to replace it, there is a risk that we may no longer have the capabilities to perform these services internally.

Laws and regulations regarding the use of pesticides and fertilizers and claims of personal injury and property damage involving product liability, as well as other environmental laws and regulations, could result in significant costs that adversely affect our operating results.

Local, state, federal and international laws and regulations relating to environmental, health and safety matters affect us in several ways. In the United States, all products containing pesticides must be registered with the U.S. Environmental Protection Agency ("EPA") (and similar state agencies) before they can be sold. The failure to obtain or the cancellation of any such registration, or the other withdrawal from the market place of such pesticides, could have an adverse effect on our business, the severity of which would depend on the products involved, whether other products could be substituted and whether our competitors were similarly affected. The pesticides we use are manufactured by independent third parties and are evaluated by the EPA as part of its ongoing exposure risk assessment. The EPA may decide that a pesticide we use will be limited or will not be re-registered for use in the United States. We cannot predict the outcome or the severity of the effect of the EPA's continuing evaluations.

In addition, the use of certain pesticides, herbicides and fertilizer products is regulated by various local, state, federal and international environmental and public health agencies. These regulations may require that only certified or professional users apply the product or that certain products be used only on certain types of locations, may require users to post notices on properties to which products have been or will be applied, may require notification to individuals in the vicinity that products will be applied in the future or may restrict or ban the use of certain products. Even if we are able to comply with all such regulations and obtain all necessary registrations and licenses, we cannot assure you that the products we apply or the manner in which we apply them, particularly pesticide products, will not be alleged to cause injury to the environment or to people under any circumstances. The costs of compliance, remediation or products liability lawsuits could materially affect our future operating results.

Local, state, federal and foreign agencies regulate the disposal, handling and storage of waste, air and water discharges from our facilities and the investigation and clean-up of contaminated sites. We could incur significant costs, including clean-up costs, fines and civil or criminal sanctions and claims by third parties for property damage and personal injury, as a result of violations of or liabilities under these laws and regulations. If there is a significant change in the facts and circumstances surrounding the assumptions upon which we operate or if we are found not to be in substantial compliance with applicable environmental and public health laws and regulations, it could have a material impact on future environmental capital expenditures and other environmental expenses and our results of operations, financial position and cash flows. In addition, potentially significant expenditures could be required to comply with environmental laws and regulations, including requirements that may be adopted or imposed in the future.

Local, state, federal and foreign agencies that regulate environmental matters may change environmental laws, regulations or standards. Changes in any of these or other laws, regulations or standards could materially affect our future operating results.

We may not be able to adequately protect our intellectual property and other proprietary rights that are material to our business.

Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license, particularly our registered brand names, Terminix, TruGreen, TruGreen LawnCare, TruGreen LandCare, Merry Maids, ServiceMaster Clean, American Home Shield, AmeriSpec, Furniture Medic and ServiceMaster. We have not sought to register every one of our marks either in the United States or in every country in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other countries as we would in the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse effect on our business, financial condition or results of operations.

Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

Disruptions or security failures in our information technology systems could create liability for us and/or limit our ability to effectively monitor, operate and control our operations and adversely affect our operating results.

Our information technology systems facilitate our ability to monitor, operate and control our operations. While we have disaster recovery plans in place, any disruption in these plans or the failure of these plans to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting, among other things, our capacity to monitor, operate and control our operations effectively. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities relating to violations of privacy or otherwise, which may lead to lower revenues, increased costs and other material adverse effects on our results of operations.

We are subject to various restrictive covenants that could adversely impact our operations.

From time to time, we enter into noncompetition agreements that restrict us from entering into lines of business (e.g., heating, ventilation and air conditioning repair and installation, electrical repair and installation, plumbing) or operating in certain areas into which we may desire to expand our business. We also are subject to non-solicitation and no hire covenants that may restrict our ability to solicit potential customers or employees. To the extent that such restrictive covenants prevent us from taking advantage of business opportunities, our operations may be adversely impacted.

Future acquisitions and our reorganization efforts could affect our financial performance.

We plan to continue to pursue opportunities to expand through selective acquisitions. Our ability to make acquisitions at reasonable prices and to integrate acquired businesses are important factors in our future growth. We cannot assure that we will be able to manage or integrate acquired businesses successfully and/or retain customers of the acquired businesses. Any inability on our part to consolidate and manage growth from acquired businesses could have an adverse effect on our financial performance, and there can be no assurance that any acquisition that we make in the future will provide us with the benefits that were anticipated when entering into such acquisition. The process of

integrating an acquired business and/or reorganizing our management and merit processes may create unforeseen difficulties and expenses, including the diversion of resources needed to integrate new businesses, technologies, products, personnel or systems; the inability to retain employees, customers and suppliers; the assumption of actual or contingent liabilities; failure to follow internal processes; write-offs or impairment charges relating to goodwill and other intangible assets; and unanticipated or unknown liabilities relating to acquired businesses.

We are indirectly owned and controlled by the Equity Sponsors, and their interests as equity holders may conflict with holders of our debt.

We are indirectly owned and controlled by the Equity Sponsors (as defined below), who will have the ability to control our policies and operations. The directors appointed by affiliates of the Equity Sponsors are able to make decisions affecting our capital structure, including decisions to issue or repurchase capital stock, pay dividends and incur additional debt. The interests of the Equity Sponsors may not in all cases be aligned with the interests of the holders of our debt. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our Equity Sponsors might conflict with the interests of holders of our debt. In addition, our Equity Sponsors may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transaction might involve risks to holders of our debt. Furthermore, the Equity Sponsors may in the future own businesses that directly or indirectly compete with us. One or more of the Equity Sponsors also may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Recent market events and conditions, including disruptions in the U.S. and international credit markets and other financial systems and the deterioration of the U.S. and global economic conditions, could, among other things, impede access to or increase the cost of financing, cause our lenders to depart from prior credit industry practice and not give technical or other waivers under our Credit Facilities to the extent we may seek them in the future, thereby causing us to be in default under one or more of the Credit Facilities, cause our commercial customers to incur liquidity issues that could lead to some of our services being cancelled and/or result in reduced revenues and lower operating income and cash flows, which would have an adverse effect on our financial condition or results of operations.

In the second half of 2007, the U.S. residential mortgage market began to experience serious disruption due to credit quality deterioration and delinquencies in a significant portion of originated mortgages, particularly subprime and non-prime mortgages; foreclosure activity began to rise; the residential housing market began to experience a slowing pace of transactions, declining housing prices and increased cost and reduced availability of mortgages; delinquencies in non-mortgage consumer credit increased; consumer confidence began to decline and credit markets became disrupted and illiquid. These conditions continued and worsened throughout 2007 and in 2008, expanding into a crisis of confidence in the broader U.S. and global credit and financial markets and resulting in greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Securities and debt ratings have been downgraded and a number of institutions have defaulted on their debt, filed for bankruptcy or have been taken over. Concerns about various financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to deteriorate further, notwithstanding various actions by the U.S. and foreign governments. In addition, the unemployment rate has been increasing and economic growth has been slowing. Concerns about adverse developments in the credit and financial markets, declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings continue to challenge the U.S. and global financial and credit markets and overall economies.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, financing for our operations or investments or to refinance our debt in the future, cause our lenders to depart from prior credit industry practice and not give technical or other waivers under our Credit Facilities to the extent we may seek them in the future, thereby causing us to be in default under one or more of the Credit Facilities, and/or cause our commercial customers to incur liquidity issues that could lead to some of our services being cancelled or reduced.

In light of the current uncertainty in the credit and financial markets, in September 2008, we borrowed $165 million under our existing $500 million Revolving Credit Facility to increase our cash position to preserve our financial flexibility. Although we are not currently experiencing any limitation of access to the Credit Facilities and are not aware of any issues currently impacting the ability of the lenders under them to honor their commitments to extend credit, there is no assurance that the U.S. and global credit crisis will not adversely affect our ability to borrow on the Credit Facilities in the future. Liquidity or capital problems at one or more of the lenders on the Revolving Credit Facility could reduce or eliminate the amount available for us to draw under such facility. Our access to additional capital may not be available on terms acceptable to us or at all.

There can be no assurance that these disruptions and turmoil will not get worse over time and thus impact us more than they have to date. These economic uncertainties make it very difficult for us to accurately forecast and plan future business activities. If the current uncertain economic conditions continue or deteriorate, there could be a material adverse impact on our financial position, revenues, results of operations and cash flows.

Risks relating to our capital structure and the Notes

We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and make payments on the Notes and our other debt.

As of June 30, 2008, we had $4,101 million of consolidated indebtedness and $500 million of available borrowings under our Revolving Credit Facility ($335 million as of September 30, 2008). In addition, under the Notes, we will have the option to elect to pay interest in the form of PIK Interest. In the event we make a PIK Interest election in each period, our debt will increase by the amount of such PIK Interest.

Our substantial debt could have important consequences to holders of the Notes. Because of our substantial debt:

- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing could become impaired;

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and our ability to satisfy our obligations with respect to the Notes may be impaired in the future;

- a large portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to us for other purposes;

- we are exposed to the risk of increased interest rates because a portion of our borrowings, including under the Term Loan Facilities and the Revolving Credit Facility (each as herein defined and, collectively, the "Credit Facilities"), and certain floating rate operating leases are at variable rates of interest;

it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such debt;

we may be more vulnerable to general adverse economic and industry conditions;

we may be at a competitive disadvantage compared to our competitors with less debt or with comparable debt on more favorable terms and that, as a result, they may be better positioned to withstand economic downturns;

our ability to refinance debt may be limited or the associated costs may increase; and

our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins of our businesses.

Despite our indebtedness levels, we and our subsidiaries may be able to incur substantially more debt, including secured debt. This could further exacerbate the risks associated with our substantial debt.

We and our subsidiaries may be able to incur substantial additional debt in the future. The terms of the indenture governing the Notes do not prohibit us or our subsidiaries from doing so. The Credit Facilities provide us with commitments for additional borrowings of up to $335 million under the Revolving Credit Facility, as of September 30, 2008, and permit additional borrowings beyond those commitments under certain circumstances. All of those borrowings are, and any other secured debt permitted under the agreements governing such Credit Facilities and the indenture would be, effectively senior to the Notes to the extent of the value of the assets securing such debt. In addition, under the Notes, we have the option to elect to pay interest in the form of PIK Interest, which will increase our debt by the amount of any such PIK Interest. If new debt is added to our current debt levels, the related risks we face would increase, and we may not be able to meet all of our debt obligations, including the repayment of the Notes. In addition, the indenture governing the Notes does not prevent us from incurring obligations that do not constitute debt.

We may elect not to pay any Cash Interest accrued on the Notes.

Pursuant to the indenture governing the Notes, we may elect not to pay Cash Interest on the Notes on any interest payment date prior to July 24, 2011, and may elect to pay PIK Interest in lieu of Cash Interest. PIK Interest will accrue on the Notes at a rate per annum equal to 11.50%, which is the Cash Interest rate plus 75 basis points. The failure to pay Cash Interest on the Notes on any interest payment date for which we have elected to pay PIK Interest will not constitute an event of default under the indenture governing the Notes. Under such circumstances, interest will be paid in the form of PIK Interest by increasing the principal amount of the Notes by the amount of the PIK Interest. See "Description of Notes Principal, maturity and interest."

We intend to treat the Notes as debt instruments bearing original issue discount for U.S. federal income tax purposes.

Because interest on the Notes is not unconditionally payable in cash at least annually, the Notes will be considered to be issued with original issue discount. As a result of the characterization of the Notes as debt instruments bearing original issue discount, U.S. persons will be required to include in income the interest accruing on the Notes, and the rate of such accrual may be higher than the nominal rate on the Notes. In addition, U.S. persons will be required to include interest in income even though we may elect not to pay cash interest. See "Material U.S. Federal Tax Considerations."

The agreements and instruments governing our debt contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the holders of the Notes.

The Credit Facilities contain covenants that, among other things, restrict our ability to:

- incur additional debt (including guarantees of other debt);
- pay dividends or make other restricted payments, including investments;
- prepay or amend the terms of the Notes or certain other outstanding notes;
- enter into certain types of transactions with affiliates;
- sell certain assets, or, in the case of any borrower under the Credit Facilities, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- create liens;
- in the case of the Term Loan Facility, enter into agreements restricting dividends or other distributions by subsidiaries to ServiceMaster; and
- in the case of the Revolving Credit Facility, make acquisitions, enter into agreements restricting our ability to incur liens securing the Revolving Credit Facility and change our business or ServiceMaster's fiscal year.

The indenture governing the Notes also contains restrictive covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur more debt;
- pay dividends, redeem stock or make other distributions;
- make investments;
- create liens;
- transfer or sell assets;
- merge or consolidate; and
- enter into certain transactions with our affiliates.

The restrictions in the indenture governing the Notes, the Credit Facilities and the instruments governing our other debt may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be able to refinance our debt, at maturity or otherwise, on terms acceptable to us, or at all.

Our ability to comply with the covenants and restrictions contained in the Credit Facilities, the indenture and the instruments governing our other debt may be affected by economic, financial and industry conditions beyond our control including credit or capital market disruptions. The breach of any of these covenants or restrictions could result in a default that would permit the applicable lenders or noteholders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. If we are unable to repay debt, lenders having secured obligations, such as the lenders under the Credit Facilities, could proceed against the collateral securing the debt. In any such case, we may be unable to borrow under the Credit Facilities and may not be able to repay the amounts due under the Credit Facilities and the Notes. This could have serious

consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

Our ability to generate the significant amount of cash needed to pay interest and principal on the Notes and service our other debt and our ability to refinance all or a portion of our debt or obtain additional financing depends on many factors beyond our control.

As a holding company, we have no independent operations or material assets other than our ownership of equity interests in our subsidiaries, and we will depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses, including satisfying our obligations under the Notes and our other debt. Our ability to make scheduled payments on, or to refinance our obligations under, our debt will depend on the ability of our subsidiaries to make distributions and dividends to us, which, in turn, will depend on their operating results, cash requirements and financial condition, general business conditions, and any legal and regulatory restrictions on the payment of dividends to which they may be subject, many of which may be beyond our control, and as described under " Risks relating to our business and our industry" above. The payment of ordinary and extraordinary dividends by our subsidiaries that are regulated as insurance, home warranty, service contract or similar companies is subject to applicable state law limitations. If we cannot receive sufficient distributions from our subsidiaries, we may not be able to meet our obligations to fund general corporate expenses or service our debt obligations.

If our cash flow and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek to obtain additional equity capital or restructure our debt. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our debt, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The Revolving Credit Facility will mature in 2013 and the Term Loan Facilities will mature in 2014. As a result, we may be required to refinance any outstanding amounts under those facilities prior to the maturity date of the Notes. We cannot assure you that we will be able to refinance any of our debt or obtain additional financing, particularly because of our high levels of debt, as well as prevailing market conditions. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We cannot assure you we will be able to consummate those sales, or if we do, what the timing of the sales will be, whether the proceeds that we realize will be adequate to meet debt service obligations when due or whether we would receive fair value for such assets.

The Notes are unsecured and effectively subordinated to the rights of our and the guarantors' existing and future secured creditors to the extent of the value of our and our guarantors' assets.

The indenture governing the Notes permits us to incur a significant amount of secured indebtedness, including indebtedness under the Credit Facilities. Indebtedness under the Credit Facilities is secured by substantially all of the tangible and intangible assets of ServiceMaster and the guarantors under the Credit Facilities, subject to certain exceptions. The Notes are unsecured and therefore do not have the benefit of such collateral. Accordingly, the Notes are effectively subordinated to all such secured indebtedness. If an event of default occurs under the Credit Facilities, the senior secured lenders will have a prior right to our assets securing the Credit Facilities, to the exclusion of the holders of the Notes, even if we are in default under the Notes. In that event, our assets would first be used to repay indebtedness and other obligations secured by them (including amounts outstanding under the Credit Facilities), resulting in all or a portion of our assets being unavailable to satisfy the claims of the holders of the Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of Notes will participate in our remaining assets

ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. Further, if the lenders foreclose and sell the pledged interests in any subsidiary guarantor under the Notes, then that guarantor will be released from its guarantee of the Notes automatically and immediately upon the sale. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

As of June 30, 2008, approximately $2,624 million of our indebtedness was secured. We also have commitments for additional borrowings under the Revolving Credit Facility of $500 million, all of which would be secured if borrowed.

The Notes will be effectively subordinated to the debt of our non-guarantor subsidiaries.

The Notes are not guaranteed by any of our non-U.S. subsidiaries, any subsidiary subject to regulation as an insurance, home warranty, service contract or similar company, or certain other subsidiaries. Payments on the Notes are only required to be made by us and the subsidiary guarantors. Accordingly, claims of holders of the Notes will be structurally subordinated to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries, including trade payables, will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon liquidation or otherwise, to us or a guarantor of the Notes. Our subsidiaries that do not guarantee the Notes, including our non-U.S. subsidiaries and our subsidiaries subject to regulation as insurance, home warranty and service contract companies (including the American Home Shield companies), represent a significant portion of our operations and assets.

If the lenders under the Credit Facilities release the guarantors under the credit agreement, those guarantors will be released from their guarantees of the Notes.

The lenders under the Credit Facilities have the discretion to release the guarantees under the credit agreements. If a subsidiary guarantor is released from all of its obligations under the Credit Facilities or any other successor credit facility that may be then outstanding, then such subsidiary guarantor will automatically and unconditionally be released from its obligation under its guarantee of the Notes. See "Description of Notes Subsidiary Guarantees." You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the Notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of noteholders.

If we or our subsidiaries default on our and their obligations to pay our and their indebtedness, we may not be able to make payments on the Notes.

Any default under the agreements governing our or our subsidiaries' indebtedness, including a default under the Credit Facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness could make us unable to pay principal, premium, if any, and interest on the Notes when due and substantially decrease the market value of the Notes.

If we or our subsidiaries are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we or they otherwise fail to comply with the various covenants in the instruments governing our or their indebtedness (including covenants in the Credit Facilities, the indenture governing the Notes and the indenture governing the continuing Notes), we or they could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and

payable, together with accrued and unpaid interest, the lenders under the Credit Facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If amounts outstanding under the Credit Facilities, the continuing Notes or other debt of our subsidiaries are accelerated, all our subsidiaries' debt and liabilities would be payable from our subsidiaries' assets, prior to any distributions of our subsidiaries' assets to pay interest and principal on the Notes, and we might not be able to repay or make any payments on the Notes.

We may be unable to raise funds necessary to finance the change of control repurchase offers required by the indenture governing the Notes.

If we experience specified changes of control, we would be required to make an offer to purchase all of the outstanding Notes (unless otherwise redeemed) at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase. The occurrence of specified events that would constitute a change of control will constitute a default under the Credit Facilities. In addition, the Credit Facilities may limit or prohibit the purchase of the Notes by us in the event of a change of control, unless and until such time as the indebtedness under the Credit Facilities is repaid in full or we have made an offer to repay all such indebtedness and repaid in full all lenders who accept such an offer. As a result, following a change of control event, we may not be able to repurchase Notes unless we first repay all indebtedness outstanding under the Credit Facilities (or make an offer to do so and repay all lenders who accept such an offer) and any of our other indebtedness that contains similar provisions, or obtain a waiver from the holders of such indebtedness to permit us to repurchase the Notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding Notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. In addition, our failure to purchase the Notes after a change of control in accordance with the terms of the indenture would constitute an event of default under the indenture, which in turn would result in a default under the Credit Facilities.

Our inability to repay the indebtedness under the Credit Facilities would also constitute an event of default under the indenture for the Notes, which could have materially adverse consequences to us and to the holders of the Notes. In the event of a change of control, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under the Credit Facilities and the Notes. Our future indebtedness may also require such indebtedness to be repurchased upon a change of control.

Certain corporate events may not trigger a change of control event, in which case we will not be required to redeem the Notes.

The indenture governing the Notes permits us to engage in certain important corporate events, such as leveraged recapitalizations, that would increase indebtedness but would not constitute a "change of control." If we effected a leveraged recapitalization or other such non-change of control transaction that resulted in an increase in indebtedness, our ability to make payments on the Notes would be adversely affected. However, we would not be required to redeem the Notes, and you might be required to continue to hold your Notes, despite our decreased ability to meet our obligations under the Notes.

Increases in interest rates would increase the cost of servicing our debt and could reduce our profitability.

A significant portion of our outstanding debt, including under the Credit Facilities, bears interest at variable rates. As a result, increases in interest rates would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. As of September 30, 2008, each one percentage point change in interest rates would result in an approximately $12 million change in the

annual interest expense on our Term Loan Facilities after considering the impact of the interest rate swaps into which we have entered. Assuming all revolving loans were fully drawn, each one percentage point change in interest rates would result in a $5 million change in annual interest expense on our Revolving Credit Facility. We are also exposed to increases in interest rates in respect of our arrangement enabling us to sell certain receivables to unrelated third party purchasers. Assuming all available amounts were sold under this arrangement, each one percentage point change in interest rates would result in a $1 million change in annual interest expense in respect of this arrangement. We are also exposed to increases in interest rates in respect of our floating rate leases, and a one percentage point change in interest rates would result in an approximately $2 million change in annual rent expense in respect of such leases. The impact of increases in interest rates could be more significant for us than it would be for some other companies because of our substantial debt and floating rate leases.

Our being subject to certain fraudulent transfer and conveyance statutes may have adverse implications for the holders of the Notes.

If, under relevant federal and state fraudulent transfer and conveyance statutes, in a bankruptcy or reorganization case or a lawsuit by or on behalf of unpaid creditors of the issuer, a court were to find that, at the time the issuer or any guarantor, as applicable, issued the Notes or incurred the applicable guarantee:

- the issuer or guarantor did so with the intent of hindering, delaying or defrauding current or future creditors or received less than reasonably equivalent value or fair consideration for issuing the Notes or incurring the guarantee, as applicable; or

- the issuer or guarantor:

  - was insolvent or was rendered insolvent by reason of the incurrence of the indebtedness constituting the Notes or the guarantee, as applicable,

  - was engaged, or about to engage, in a business or transaction for which its assets constituted unreasonably small capital,

  - intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured, or

  - was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment the judgment is unsatisfied,

the court could avoid (cancel) or subordinate the Notes or the applicable guarantee to presently existing and future indebtedness of the issuer or the subject guarantor and take other action detrimental to the holders of the Notes including, under certain circumstances, invalidating the Notes or the applicable guarantee.

A court would likely find that the issuer or a guarantor did not receive reasonably equivalent value or fair consideration for the Notes or such guarantee if the issuer or such guarantor did not substantially benefit directly and indirectly from the issuance of the Notes. If a court were to void the Notes or a guarantee, you would no longer have a claim against the issuer or the applicable guarantor. Sufficient funds to repay the Notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the issuer or any guarantor.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in the relevant legal proceeding. Generally, however,

the issuer or a guarantor would be considered insolvent if, at the time it incurs the indebtedness constituting the Notes or its guarantee, as applicable:

- the sum of its debts, including contingent liabilities, is greater than its assets, at a fair valuation; or
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities, including contingent liabilities, as they become absolute and matured; or
- such entity could not pay such entity's debts as they become due.

We cannot give you any assurance as to what standards a court would use to determine whether the issuer or a guarantor was solvent at the relevant time, or whether, whatever standard was used, the Notes or the applicable guarantee would not be avoided on another of the grounds described above.

A downgrade, suspension or withdrawal of the rating assigned by a rating agency to the Notes, if any, could cause the liquidity or market value of the Notes to decline.

The Notes have been rated by nationally recognized statistical ratings organizations. The Notes may in the future be rated by additional rating agencies. We cannot assure you that any rating so assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse change to our business, so warrant. Any lowering or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the Notes.

We cannot assure you that an active trading market will develop for the Notes.

We cannot give you any assurance as to the development or liquidity of any market for the Notes. We do not intend to apply for listing of the Notes on any securities exchange or for quotation of the Notes through any national securities association. Even if an active trading market for the Notes does develop, you may not be able to sell your Notes at a particular time, if at all, or you may not be able to obtain the price you desire for your Notes. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial fluctuations in the price of securities. The trading price of the Notes will depend on many factors, including prevailing interest rates, the market for similar securities, our credit rating, the interest of securities dealers in making a market for the Notes, the price of any other securities we issue, our performance, prospects, operating results and financial condition, as well as of other companies in our industry. The liquidity of, and trading market for, the Notes may also be adversely affected by general declines in the market or by declines in the market for similar securities. Such declines may adversely affect such liquidity and trading markets independent of our financial performance and prospects.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements and cautionary statements. Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "shall," "should," "would," "could," "seek," "intends," "plans," "estimates," "anticipates" or other comparable terms. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include, without limitation, statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth strategies, the industries in which we operate, customer retention, employee retention, communications improvements, the continuation of tuck-in acquisitions, our plans and ability to make cash interest payments on our debt, restructurings and reorganizations, including Fast Forward, and cost savings from such restructurings and reorganizations, and any expected charges or savings.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual outcomes and performances, including, without limitation, our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of important factors, including the risks and uncertainties discussed in the section titled "Risk Factors," could cause actual results and outcomes to differ materially from those in the forward-looking statements. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, without limitation:

- the effects of our substantial indebtedness and the limitations contained in the agreements governing such indebtedness;
- our ability to generate the significant amount of cash needed to service our debt obligations;
- our ability to secure sources of financing to allow for the leasing of our fleet of commercial vehicles;
- increases in interest rates;
- weather conditions and seasonality factors that affect the demand for our services;
- changes in the source and intensity of competition in our markets;
- higher commodity prices and lack of availability, including fuel and fertilizer;
- increases in operating costs, such as higher insurance premiums, self-insurance costs and health care costs;
- employee retention, labor shortages or increases in compensation and benefits;
- the risk that the benefits from the Merger (as defined below) or Fast Forward, including any business process outsourcing, may not be fully realized or may take longer to realize than expected;
- changes or continued softness in general economic, financial and credit conditions in the United States and elsewhere (including disruptions in the credit and financial markets), especially as they may affect home resales, consumer or business liquidity, consumer confidence or spending

levels including as a result of inflation, unemployment, interest rate fluctuations, mortgage foreclosures or subprime credit dislocations;

changes in the type or mix of our service offerings or products;

existing and future governmental regulation and the enforcement thereof, including regulation relating to restricting or banning of telemarketing, direct mail or other marketing activities, the Termite Inspection Protection Plan and pesticides and fertilizers;

the success of our current restructuring initiatives, including the implementation of Centers of Excellence;

the number, type, outcomes and costs of legal or administrative proceedings;

possible labor organizing activities at the Company or its franchisees;

risks inherent in acquisitions and dispositions;

the timing and structuring of our business process outsourcing and risks associated with such outsourcing; and

other factors described from time to time in documents that we file with the Securities and Exchange Commission.

You should read this prospectus completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this prospectus are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this prospectus, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, changes in future operating results over time or otherwise.

Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future, performance, unless expressed as such, and should only be viewed as historical data.

USE OF PROCEEDS

We will not receive any proceeds from any sale by any selling securityholder of the Notes and related guarantees.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

(In thousands, except per share data)	Successor Six months ended June 30 2008	Predecessor 2007	Successor For the periods from Jul. 25, 2007 to Dec. 31, 2007	Predecessor Jan. 1, 2007 to Jul. 24, 2007	Year ended December 31 2006	2005	2004	2003
Operating Results:								
Operating revenue	$1,629,536	$1,682,232	$1,422,358	$1,934,390	$3,332,703	$3,239,478	$3,068,068	$2,895,028
Operating income(1)	103,877	159,094	33,240	143,932	324,128	340,083	324,308	110,655
Percentage of operating revenue	*6.4%*	*9.5%*	*2.3%*	*7.4%*	*9.7%*	*10.5%*	*10.6%*	*3.8%*
Non-operating expense	175,169	5,480	181,734	6,551	43,639	45,385	53,464	58,394
(Benefit) provision for income taxes(1),(2)	(17,024)	53,313	(52,182)	51,692	95,205	114,137	(45,779)	54,716
(Loss) income from continuing operations(1),(2)	(54,268)	100,301	(96,312)	85,689	185,284	180,561	316,623	(2,455)
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes(1),(2)	(3,484)	(3,121)	(27,208)	(4,588)	(15,585)	18,364	14,604	(222,232)
Net (loss) income	$ (57,752)	$ 97,180	$ (123,520)	$ 81,101	$ 169,699	$ 198,925	$ 331,227	$ (224,687)
Cash dividends per share	$	$	$	$ 0.24	$ 0.46	$ 0.44	$ 0.43	$ 0.42
Financial Position (at period end):								
Total assets	$7,529,452	$3,265,663	$7,591,060		$3,134,441	$3,048,009	$3,161,074	$2,975,131
Total liabilities	6,274,085	2,008,787	6,287,526		1,945,583	1,893,369	2,069,539	2,058,305
Total long-term debt outstanding	4,101,393	654,948	4,130,811		706,954	677,289	825,959	837,976
Minority interest					100,000	100,000	100,000	100,309
Shareholders' equity(1),(2)	1,255,367	1,256,876	1,303,534		1,088,858	1,054,640	991,535	816,517

(1) The 2007 and 2008 results include restructuring charges for severance, as well as costs associated with Fast Forward, and payments for employee retention and severance related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $7.3 million in the six months ended June 30, 2008, $15.3 million in the six months ended June 30, 2007, $26.0 million in the period from July 25 to December 31, 2007 and $16.9 million in the period from January 1 to July 24, 2007. The 2006 results include restructuring charges for severance, as well as costs associated with "Project Accelerate", the Company's initiative to improve the effectiveness and efficiency of its functional support areas, and accruals for employee retention and severance to be paid in future periods that are related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $21.6 million, which includes approximately $6 million of non-recurring net operating loss carry forward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis.

The results also include merger charges related to the purchase of ServiceMaster by a group of investors led by Clayton, Dubilier & Rice, Inc. The merger related charges totaled $0.4 million in the six months ended June 30, 2008, $5.3 million in the six months ended June 30, 2007, $0.8 million in the period from July 25 to December 31, 2007, $41.4 million in the period from January 1 to July 24, 2007 and $1.0 million in 2006.

In accordance with SFAS 142, the Company's goodwill and intangible assets that are not amortized are subject to at least an annual assessment for impairment by applying a fair-value based test. In the fourth quarter of 2007, the Company recorded a non-cash impairment charge associated with the goodwill at its InStar business in the amount of $12.9 million. This charge is classified within

the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes." In the first quarter of 2006, the Company recorded a $42 million impairment charge for expected losses on the disposition of American Residential Services and American Mechanical Services, which is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes". In the third quarter of 2003, the Company recorded a non-cash impairment charge associated with the goodwill and intangible assets at its TruGreen LandCare business unit. This

charge, which is included in the results of continuing operations for 2003, totaled $189 million. Also in the third quarter of 2003, the Company recorded a non-cash impairment charge of $292 million associated with the goodwill and intangible assets of certain sold operations and this charge is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes".

In addition to the impairment charges noted above, the Company also recorded impairment charges of $6.3 million in the second quarter of 2008 and $18.1 million in the fourth quarter of 2007 related to the long-lived assets (other than goodwill) at its InStar business in connection with the decision to sell the InStar business. This charge is classified within the financial statement caption "(loss) income from businesses held pending sale and discontinued operations, net of income taxes."

(2)

In the fourth quarter of 2006, the Company recorded a reduction in income tax expense of $7 million resulting from the favorable resolution of state tax items related to a prior non-recurring transaction.

Related to a comprehensive agreement with the Internal Revenue Service regarding its examination of the Company's federal income taxes through the year 2002, the Company recorded a non-cash reduction in its 2004 tax provision related to deferred taxes on intangible assets, which had not previously been recorded, thereby increasing net income by approximately $159 million. Approximately $150 million related to continuing operations and $9 million related to discontinued operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this prospectus. This discussion includes forward-looking statements that are subject to risks, uncertainties and other factors described under the captions "Risk Factors" and "Forward Looking Statements." These factors could cause our actual results in 2008 and beyond to differ materially from those expressed in, or implied by, those forward-looking statements.

Merger Agreement

On March 18, 2007, ServiceMaster entered into an Agreement and Plan of Merger (the "Merger Agreement") with ServiceMaster Global Holdings, Inc. (formerly CDRSVM Topco, Inc.) ("Holdings") and CDRSVM Acquisition Co., Inc., an indirect wholly owned subsidiary of Holdings ("Acquisition Co."). The Merger Agreement provided that, upon the terms and subject to the conditions set forth in the Merger Agreement, Acquisition Co. would merge with and into ServiceMaster, with ServiceMaster as the surviving corporation (the "Merger").

On the July 24, 2007 (the "Closing Date"), the Merger was completed, and each issued and outstanding share of ServiceMaster common stock, other than shares held by ServiceMaster or Holdings or their subsidiaries and shares held by stockholders who validly perfected their appraisal rights under Delaware law, was converted into the right to receive $15.625 in cash. Each share of ServiceMaster common stock owned by ServiceMaster, Holdings or Acquisition Co. or any of their respective direct or indirect wholly-owned subsidiaries was cancelled and retired, and no consideration was paid in exchange for it.

Immediately following the completion of the Merger, all of the outstanding capital stock of Holdings, the ultimate parent company of ServiceMaster, was owned by investment funds sponsored by, or affiliates of Clayton, Dubilier & Rice, Inc. ("CD&R"), Citigroup Private Equity L.P., BAS Capital Funding Corporation and J.P. Morgan Ventures Corporation (collectively, the "Equity Sponsors").

Equity contributions totaling $1,431 million from the Equity Sponsors, together with (i) borrowings under a new $1,150 million senior unsecured interim loan facility ("Interim Loan Facility"), (ii) borrowings under a new $2,650 million senior secured term loan facility and (iii) cash on hand at ServiceMaster, were used, among other things, to finance the aggregate Merger Consideration, to make payments in satisfaction of other equity-based interests in ServiceMaster under the Merger Agreement, to settle existing interest rate swaps, to redeem or provide for the repayment of certain of the Company's existing indebtedness and to pay related transaction fees and expenses. In addition, letters of credit issued under a new $150 million pre-funded letter of credit facility (together with the senior secured term loan facility, the "Term Facilities") were used to replace and/or secure letters of credit previously issued under a ServiceMaster credit facility that was terminated as of the Closing Date. On the Closing Date, the Company also entered into, but did not draw under, a new $500 million senior secured revolving credit facility (the "Revolving Credit Facility").

In connection with the Merger and the related transactions (the "Transactions"), ServiceMaster retired certain of its existing indebtedness, including ServiceMaster's $179.0 million, 7.875% Notes due August 15, 2009 (the "2009 Notes"). On the Closing Date, the 2009 Notes were called for redemption and they were redeemed on August 29, 2007. Additionally, the Company utilized a portion of the proceeds from the Term Facilities to repay at maturity ServiceMaster's $49.2 million, 6.95% Notes due August 15, 2007.

The Interim Loan Facility matured on July 24, 2008. On the maturity date, outstanding amounts under the Interim Loan Facility were converted on a one to one basis into the 10.75%/11.50% Senior

Toggle Notes due 2015 (the "Notes") that are the subject of this registration statement. The Notes were issued pursuant to a refinancing indenture. In connection with the issuance of the Notes, ServiceMaster entered into a registration rights agreement, pursuant to which ServiceMaster became obligated to file with the SEC the registration statement of which this prospectus is a part.

Results of Operations

Although ServiceMaster continued as the same legal entity after the Merger, the accompanying consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the period preceding the Merger and the period succeeding the Merger, respectively. The separate presentation is required under GAAP when there is a change in accounting basis, which occurred when purchase accounting was applied to the acquisition of the Predecessor. Purchase accounting requires that the historical carrying value of the assets acquired and liabilities assumed be adjusted to fair value, which may yield results that are not comparable on a period-to-period basis due to the different, and sometimes higher, cost basis associated with the allocation of the purchase price. The Company refers to the operations of ServiceMaster for both the Predecessor and Successor periods. The condensed consolidated statements of financial position as of June 30, 2008 and December 31, 2007 and the condensed consolidated statements of operations and of cash flows for the six months ended June 30, 2008 reflect the financial position, operations and cash flows of the Successor. The condensed consolidated statements of operations and of cash flows for the six months ended June 30, 2007 reflect the operations and cash flows of the Predecessor.

Six Months Ended June 30, 2008 Compared to 2007

The Company reported revenue of $1,629.5 million for the six months ended June 30, 2008, a $52.7 million or 3.1 percent decrease compared to 2007. The revenue for the six months ended June 30, 2008 has been reduced by $33.4 million (non-cash) resulting from recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, revenue for the six months ended June 30, 2008 decreased $19.3 million or 1.1 percent, from 2007 levels, driven by the results of our business units as described in our "Segment Reviews for the Six Months Ended June 30, 2008 Compared to 2007".

Operating income was $103.9 million in the six months ended June 30, 2008 compared to operating income of $159.1 million in 2007. Loss from continuing operations before income taxes was $71.3 million in the six months ended June 30, 2008 compared to income from continuing operations before income taxes of $153.6 million in 2007. The decrease in (loss) income from continuing operations before income taxes of $224.9 million primarily reflects the net effect of:

(In millions)	
Non-cash purchase accounting adjustments (1)	$(110.3)
Increased interest expense (2)	(144.9)
Decreased interest and net investment income (3)	(28.1)
Decreased merger related charges (4)	5.0
Decreased restructuring charges (5)	8.0
Improved segment results (6)	45.4
	$(224.9)

(1) The net unfavorable impact of non-cash purchase accounting adjustments in the six months ended June 30, 2008 of $110.3 million consists primarily of increased amortization of intangible assets of $88.2 million and a $33.4 million reduction in revenue partially offset by reduced deferred customer acquisition expense of $13.9 million.

(2) Represents an increase in interest expense as a result of the new debt structure entered into upon the completion of the Transactions.

(3) As further described in "Operating and Non-Operating Expenses", represents a decrease in interest and net investment income primarily reflecting (1) the unfavorable impact to investment gains and income realized on the American Home Shield investment portfolio due to realized losses on disposals of securities and other than temporary declines in the value of certain investments and (2) lower investment income resulting from a decrease in the market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting decrease in compensation expense within operating loss (income)).

(4) Represents a decrease in charges related to the Merger which cannot be capitalized as part of the purchase cost for financial reporting purposes.

(5) Represents a decrease in restructuring charges primarily resulting from Fast Forward and the consolidation of the Company's corporate headquarters into its operations support center in Memphis, Tennessee.

(6) Represents an increase in income from continuing operations before income taxes, non-cash purchase accounting adjustments, interest expense, interest and net investment income, merger related charges and restructuring charges supported by the improved results at Terminix, TruGreen LawnCare, TruGreen LandCare, American Home Shield and Other Operations and Headquarters as described in our "Segment Reviews for the Six Months Ended June 30, 2008 Compared to 2007."

Operating and Non-Operating Expenses

The Company reported cost of services rendered and products sold of $1,007.1 million for the six months ended June 30, 2008 compared to $1,033.9 million in 2007. Excluding the non-cash reduction of revenue of $33.4 million resulting from recording deferred revenue at its fair value in conjunction with purchase accounting, as a percentage of revenue these costs decreased to 60.6 percent for the six months ended June 30, 2008 from 61.5 percent in 2007. This decrease primarily reflects the impact of improved labor efficiency at Terminix, offset by increases in fuel, fertilizer and other factor costs throughout the enterprise.

The Company reported selling and administrative expenses of $418.2 million for the six months ended June 30, 2008 compared to $464.1 million in 2007. The six months ended June 30, 2008 include a $13.9 million (non-cash) decrease in selling and administrative expenses resulting from recording deferred customer acquisition costs at their fair value in connection with purchase accounting. Excluding the impact of purchase accounting, these costs decreased as a percentage of revenue to 26.0 percent for the six months ended June 30, 2008 from 27.6 percent for 2007. The decrease in selling and administrative expenses as a percentage of revenue primarily reflects lower functional support costs, improved sales labor efficiency at TruGreen LawnCare and Terminix, and lower compensation charges for the Company due primarily to a decrease in the market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting decrease within interest and net investment loss (income)).

Amortization expense was $92.6 million for the six months ended June 30, 2008 compared to $4.6 million for 2007. The increase reflects $88.2 million of amortization for the six months ended June 30, 2008 related to recording amortizable intangible assets of $844 million in purchase accounting in connection with the Merger.

Non-operating expense totaled $175.2 million for the six months ended June 30, 2008 compared with $5.5 million for 2007. This change includes a $144.9 million increase in interest expense for the six

months ended June 30, 2008, primarily resulting from the increased debt levels related to the Merger, and a $28.1 million decrease in interest and net investment income for the six months ended June 30, 2008. Interest and net investment income was comprised of the following for the six months ended June 30, 2008 and 2007:

(In millions)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Realized gains (losses)(1)	$ 7.2	$ 23.1
Impairments(2)	(8.2)	(0.9)
Deferred compensation trust(3)	(2.7)	2.8
Other	1.8	1.2
Interest and net investment (loss) income	$ (1.9)	$ 26.2

(1) Represents the net investment gains (losses) and the interest and dividend income realized on the American Home Shield investment portfolio.

(2) Represents other than temporary declines in the value of certain investments in the American Home Shield investment portfolio.

(3) Represents investment income (loss) resulting from a change in the market value of investments within an employee deferred compensation trust (for which there is an offsetting adjustment in compensation expense within operating loss (income)).

The effective tax rate on (loss) income from continuing operations was a benefit of 23.9 percent for the six months ended June 30, 2008 compared to an expense of 34.7 percent for 2007. The change in the effective tax rate is primarily due to state tax expense offsetting the statutory federal benefit generated due to losses in 2008 as a result of the Merger compared to state tax expense increasing the effective tax rate in 2007. In addition, the 2007 effective tax rate was impacted by a $4.2 million reduction in tax expense resulting from the favorable resolution of state tax items related to a prior non-recurring transaction, as well as a $2.7 million reduction in tax expense resulting from incremental deferred tax benefits that became recognizable during the second quarter of 2007 upon the conversion of the minority equity interests in Terminix into eight million shares of ServiceMaster common stock. There were no comparable favorable items impacting the effective tax rate in 2008.

Restructuring and Merger Related Charges

In connection with Fast Forward, the Company incurred costs in the six months ended June 30, 2008 of approximately $6.7 million. Such costs include consulting fees of approximately $3.7 million and severance, lease termination and other costs of approximately $3.0 million. No costs related to Fast Forward were incurred in the six months ended June 30, 2007.

The Company expects that it will incur substantial additional costs in order to implement the second phase of Fast Forward, but is currently unable to estimate the aggregate amount or timing of such charges or the anticipated related cash outlays.

The Company is on schedule with respect to realizing its previously forecasted savings from Fast Forward. The Company believes that it will ultimately realize annual pretax savings of $60 million by the end of 2009. Most of these savings will benefit the selling, general and administrative line in the statement of operations.

The results for the six months ended June 30, 2007 include restructuring charges related to the Company's consolidation of its corporate headquarters into its operations support center in Memphis,

Tennessee and the closing of its headquarters in Downers Grove, Illinois. The transition to Memphis was substantially completed in 2007. Almost all costs related to the transition were cash expenditures, and, in accordance with GAAP, these costs were expensed throughout the transition period. In the six months ended June 30, 2007, the Company recognized charges of approximately $15.3 million. These charges consisted of $11.4 million of employee retention and severance and $3.9 million of recruiting and related costs.

During the six months ended June 30, 2008, the Company incurred an additional $0.6 million relating to this relocation, which includes additional severance and other costs.

During the six months ended June 30, 2008 and 2007, the Company incurred Merger related charges totaling $0.4 million and $5.3 million, respectively. These Merger related charges include investment banking, accounting, legal and other costs associated with the Merger, which cannot be capitalized as part of the purchase cost for financial reporting purposes.

Key Performance Indicators

The table below presents selected operating metrics related to customer counts and customer retention for the three largest profit businesses in the Company. These measures are presented on a rolling, twelve-month basis in order to avoid seasonal anomalies.

	Key Performance Indicators as of June 30,	
	2008	**2007**
TruGreen LawnCare		
Growth in Full Program Accounts	-2%	1%
Customer Retention Rate	68.4%	68.5%
Terminix		
Growth in Pest Control Customers	1%	7%
Pest Control Customer Retention Rate	78.5%	78.9%
Growth in Termite Customers	2%	1%
Termite Customer Retention Rate	88.1%	87.6%
American Home Shield		
Growth in Warranty Contracts	2%	5%
Customer Retention Rate	61.9%	59.7%

Segment Reviews for the Six Months Ended June 30, 2008 Compared to 2007

The following business segment reviews should be read in conjunction with the required footnote disclosures presented in the Notes to the Condensed Consolidated Financial Statements. This disclosure provides a reconciliation of segment operating (loss) income to (loss) income from continuing operations before income taxes, with net non-operating expenses as the only reconciling item.

The Company uses Adjusted EBITDA and Comparable Operating Performance to facilitate operating performance comparisons from period to period. Adjusted EBITDA and Comparable Operating Performance are supplemental measures of the Company's performance that are not required by, or presented in accordance with, GAAP. Adjusted EBITDA and Comparable Operating Performance are not measurements of the Company's financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to net cash provided by operating activities or any other measures of the Company's cash flow or liquidity. "Adjusted EBITDA" means net income before net

income (loss) from businesses held pending sale and discontinued operations; provision (benefit) for income taxes; minority interest and other expense, net; interest expense and interest and net investment income; and depreciation and amortization expense; as well as adding back interest and net investment income. The Company views its total interest and investment income as an integral part of its business model and earnings stream. "Comparable Operating Performance" is calculated by adding back to Adjusted EBITDA non-cash option and restricted stock expense and non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger.

The Company believes Adjusted EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest income and expense), taxation and the age and book depreciation of facilities and equipment (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. The Company uses Comparable Operating Performance as a supplemental measure to assess the Company's performance because it excludes non-cash option and restricted stock expense and non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger. The Company presents Comparable Operating Performance because it believes that it is useful for investors and lenders to analyze disclosures of the Company's operating results on the same basis as that used by the Company's management.

Adjusted EBITDA and Comparable Operating Performance are not necessarily comparable to other similarly titled financial measures of other companies due to the potential inconsistencies in the method of calculation.

Adjusted EBITDA and Comparable Operating Performance have limitations as analytical tools, and should not be considered in isolation or as substitutes for analyzing the Company's results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA and Comparable Operating Performance do not reflect changes in, or cash requirements for, the Company's working capital needs;

- Adjusted EBITDA and Comparable Operating Performance do not reflect the Company's interest expense, or the cash requirements necessary to service interest or principal payments on the Company's debt;

- Adjusted EBITDA and Comparable Operating Performance do not reflect the Company's tax expense or the cash requirements to pay the Company's taxes;

- Adjusted EBITDA and Comparable Operating Performance do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Comparable Operating Performance do not reflect any cash requirements for such replacements; and

- Other companies in the Company's industries may calculate Adjusted EBITDA and Comparable Operating Performance differently, limiting their usefulness as comparative measures.

Operating revenues and Comparable Operating Performance by operating segment are as follows:

(In thousands)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Operating Revenue:		
TruGreen LawnCare	$ 511,738	$ 508,220
TruGreen LandCare	162,529	215,240
Terminix	573,422	573,500
American Home Shield	272,988	281,227
Other Operations and Headquarters	108,859	104,045
Total Operating Revenue	$ 1,629,536	$ 1,682,232
Comparable Operating Performance:		
TruGreen LawnCare	$ 68,599	$ 68,877
TruGreen LandCare	4,631	785
Terminix	129,012	116,828
American Home Shield	42,203	52,743
Other Operations and Headquarters	1,702	(21,950)
Total Comparable Operating Performance	$ 246,147	$ 217,283
Memo: Items included in Comparable Operating Performance		
Restructuring charges and Merger related expenses(1)	$ 7,685	$ 20,652
Management fee(2)	$ 1,000	$
Memo: Items excluded from Comparable Operating Performance		
Comparable Operating Performance of InStar	$ (843)	$ (3,601)
Comparable Operating Performance of all other discontinued operations	1,472	402
Comparable Operating Performance of businesses held pending sale and discontinued operations	$ 629	$ (3,199)

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(1) Comparable Operating Performance includes (i) severance and employee retention costs and costs related to the consolidation of our corporate headquarters in Memphis, Tennessee, including the closing of our office in Downers Grove, Illinois, (ii) costs to exit leases and severance payments related to organizational changes within the TruGreen LandCare operations, (iii) charges related to Fast Forward and (iv) Merger related expenses. Substantially all of the restructuring charges and Merger related expenses are included in the Comparable Operating Performance of the Other Operations and Headquarters segment.

(2) Represents a management fee payable to CD&R pursuant to a consulting agreement under which CD&R will provide the Company with on-going consulting and management advisory services for a minimum annual fee of $2 million.

The following table presents reconciliations of operating income (loss) to Adjusted EBITDA and Comparable Operating Performance for the periods presented.

(In thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Successor six months ended June 30, 2008						
Operating income (loss)	$ 21,854	$ (602)	$ 102,895	$ (8,291)	$ (11,979)	$ 103,877
Depreciation and amortization expense	46,711	5,558	29,891	25,442	10,991	118,593
EBITDA before adding back interest and net investment income	68,565	4,956	132,786	17,151	(988)	222,470
Interest and net investment income (loss)(2)				(962)	(919)	(1,881)
Adjusted EBITDA	68,565	4,956	132,786	16,189	(1,907)	220,589
Non-cash option and restricted stock expense					3,401	3,401
Non-cash charges (credits) attributable to purchase accounting(3)	34	(325)	(3,774)	26,014	208	22,157
Comparable Operating Performance	$ 68,599	$ 4,631	$ 129,012	$ 42,203	$ 1,702	$ 246,147
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$ 316	$ 202	$ 57	$ 448	$ 6,662	$ 7,685
Management fee(5)	$	$	$	$	$ 1,000	$ 1,000
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (843)	$ (843)
Comparable Operating Performance of all other discontinued operations					1,472	1,472
Comparable Operating Performance of businesses held pending sale and discontinued operations	$	$	$	$	$ 629	$ 629
Predecessor six months ended June 30, 2007						
Operating income (loss)	$ 61,220	$ (2,060)	$ 107,360	$ 27,299	$ (34,725)	$ 159,094
Depreciation and amortization expense	7,657	2,845	9,468	3,261	5,716	28,947
EBITDA before adding back interest and net investment income	68,877	785	116,828	30,560	(29,009)	188,041
Interest and net investment income(2)				22,183	4,001	26,184
Adjusted EBITDA	68,877	785	116,828	52,743	(25,008)	214,225
Non-cash option and restricted stock expense					3,058	3,058

Non-cash charges attributable to purchase accounting(3)						
Comparable Operating Performance	$ 68,877	$ 785	$116,828	$ 52,743	$ (21,950)	$217,283
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$	$	$	$	$ 20,652	$ 20,652
Management fee(5)	$	$	$	$	$	$

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(In thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (3,601)	$ (3,601)
Comparable Operating Performance of all other discontinued operations					402	402
Comparable Operating Performance of businesses held pending sale and discontinued operations	$	$	$	$	$ (3,199)	$ (3,199)

(1)

Presented below is a reconciliation of segment operating (loss) income to net (loss) income.

(In thousands)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Segment Operating (Loss) Income	$ 103,877	$ 159,094
Non-operating expense (income):		
Interest expense	173,011	28,143
Interest and net investment loss (income)	1,881	(26,184)
Minority interest and other expense, net	277	3,521
(Loss) Income from Continuing Operations before Income Taxes	$ (71,292)	$ 153,614
(Benefit) Provision for income taxes	(17,024)	53,313
(Loss) Income from Continuing Operations	$ (54,268)	$ 100,301
Loss from businesses held pending sale and discontinued operations, net of income taxes	(3,484)	(3,121)
Net (Loss) Income	$ (57,752)	$ 97,180

(2)

Interest and net investment income is primarily comprised of investment income and realized gains/losses on our American Home Shield ("AHS") segment investment portfolio. Cash, short-term and long-term marketable securities associated with regulatory requirements in connection with AHS and for other purposes totaled approximately $358 million as of June 30, 2008. As further described in "Operating and Non-Operating Expenses", AHS interest and net investment (loss) income was ($1.0) million for the six months ended June 30, 2008 and $22.2 million for the six months ended June 30, 2007. The balance of interest and net investment income primarily relates to (i) a portion of the earnings generated by ServiceMaster Acceptance Company Limited Partnership, our financing subsidiary exclusively dedicated to providing financing to our franchisees and retail customers of our operating units; (ii) investment income from our employee deferred compensation trust (for which there is a corresponding and offsetting increase in compensation expense within operating income); and (iii) interest income on other cash balances.

(3)

The Merger was accounted for using purchase accounting. This adjustment represents the aggregate, non-cash adjustments (other than amortization and depreciation) attributable to the application of purchase accounting.

(4)

Includes (i) severance and employee retention costs and costs related to the consolidation of our corporate headquarters in Memphis, Tennessee, including the closing of our office in Downers

Grove, Illinois, (ii) costs to exit leases and severance payments related to organizational changes within the TruGreen LandCare operations, (iii) Merger related expenses and (iv) charges related to Fast Forward.

(5)
The Company entered into a consulting agreement with CD&R under which CD&R will provide the Company with on-going consulting and management advisory services in exchange for a minimum annual management fee of $2 million. This fee is payable quarterly.

TruGreen LawnCare Segment

LawnCare reported a 0.7 percent increase in revenue, a 64.3 percent decrease in operating income and a 0.4 percent decrease in Comparable Operating Performance for the six months ended June 30, 2008 compared to 2007. The revenue results were favorably impacted by additional seasonal sales of ice-melt materials and improved price realization offset by the impact of customer count declines. LawnCare experienced a 6.2 percent decline in new sales and a 10 basis point decrease in its rolling twelve-month retention rate from last year resulting in an overall 2 percent decline in customer counts from last year's level. The trends in new sales and retention were adversely impacted by soft consumer demand in the first-half of 2008. The decrease in new sales was also impacted by poor weather in early 2008.

The 0.4 percent decrease in Comparable Operating Performance for the six months ended June 30, 2008 compared to 2007 also reflects increased fuel and fertilizer costs offset, in part, by reduced overhead spending.

TruGreen LandCare Segment

LandCare reported a 24.5 percent decrease in revenue, a 70.8 percent decrease in operating loss and a 489.9 percent increase in Comparable Operating Performance for the six months ended June 30, 2008 compared to 2007. The decline in revenue included a 21.9 percent decline in base contract maintenance revenue, a 22.7 percent decrease in enhancement revenue, and a $7.9 million decrease in snow removal service revenue. The revenue comparison was adversely impacted by branch closures completed during the third quarter of 2007, as well as the impacts of LandCare's efforts to improve the quality of its customer base with a better customer mix by pruning less profitable jobs, implementing stricter pricing on new sales, and increasing the average size of new proposals and sales. Although the total base contract maintenance sales dollars declined for the six months ended June 30, 2008, LandCare realized a meaningful improvement in the average value per contract sold (higher value contracts tend to be more profitable).

The Comparable Operating Performance improvement of 489.9 percent for the six months ended June 30, 2008 compared to 2007 is primarily due to improved materials and labor management on the base contract maintenance portfolio and reduced overhead spending. These factors were offset, in part, by increased fuel costs.

Terminix Segment

The Terminix segment reported comparable revenue for the six months ended June 30, 2008 compared to 2007. Revenue for the six months ended June 30, 2008 has been reduced by $3.2 million (non-cash) as a result of recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, revenue increased 0.5 percent for the six months ended June 30, 2008 compared to 2007. Terminix reported a 4.2 percent decrease in operating income and a 10.4 percent increase in Comparable Operating Performance for the six months ended June 30, 2008 compared to 2007. The segment's overall revenue results, excluding purchase accounting, reflected modest growth in pest control revenues and increases in termite contract renewals, offset, in part, by a decrease in revenue from termite completions. Pest control revenues increased 2.8 percent

for the six months ended June 30, 2008 compared to 2007, as the impact of acquisitions and price realization more than offset a decrease in new unit sales. A 2.1 percent increase in renewal revenues for the six months ended June 30, 2008 was supported by price realization and a 50 basis point improvement in termite customer retention. Revenue from termite completions decreased 4.4 percent for the six months ended June 30, 2008, as reduced termite swarm activity negatively impacted demand for services and due to reduced average pricing on new termite treatments.

The growth in Comparable Operating Performance also reflects lower termite materials costs, effective management of seasonal staffing of production and sales labor, lower vehicle fleet counts and reduced overhead spending, offset, in part, by increased fuel costs.

American Home Shield Segment

The American Home Shield segment reported a 2.9 percent decrease in revenue for the six months ended June 30, 2008 compared to 2007. Revenue for the six months ended June 30, 2008 has been reduced by $30.2 million (non-cash) as a result of recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, revenue increased 7.8 percent for the six months ended June 30, 2008 over the six months ended June 30, 2007. American Home Shield reported a 130.4 percent decrease in operating income and a 20.0 percent decrease in Comparable Operating Performance for the six months ended June 30, 2008 over the six months ended June 30, 2007. The increase in revenue, in part, resulted from higher contract costs in the six months ended June 30, 2008 due to differences between years in the timing of the incidence of warranty claims. American Home Shield recognizes revenue over the contract period in proportion to expected direct costs. Total new contract sales and renewal units, which are reported as earned revenue over the subsequent twelve-month contract period, decreased 1.2 percent. Contract unit sales from customer renewals increased 6.0 percent, reflecting a larger base of renewable customers and a 220 basis point improvement in retention. American Home Shield's sales in the real estate channel were significantly impacted by the continued softness in the home resale market throughout most of the country with overall unit sales declines of 19.2 percent through this channel.

The decrease in Comparable Operating Performance for the six months ended June 30, 2008 also includes a $23.1 million decrease in interest and net investment income from the American Home Shield investment portfolio (primarily reflecting the unfavorable impact of realized losses on disposals of securities and other than temporary declines in the value of certain investments) as compared to 2007 and increased provisions for certain legal matters partially offset by the beneficial impacts of increases in prices and service fees per claim.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment reported a 4.6 percent increase in revenue for the six months ended June 30, 2008 compared to 2007. The ServiceMaster Clean and Merry Maids operations reported a combined 5.2 percent increase in revenue for the six months ended June 30, 2008. The growth in revenue resulted from strong increases in disaster restoration services, offset in part by decreases in product sales. The ServiceMaster Clean and Merry Maids operations reported a combined decrease in operating income of 5.3 percent and an increase in Comparable Operating Performance of 14.6 percent, or $4.3 million, for six months ended June 30, 2008 compared to 2007. The increase in the segment's Comparable Operating Performance for the six months ended June 30, 2008 compared to 2007 of $23.7 million primarily reflects the decrease in Restructuring and Merger related expenses incurred in 2008, increased Comparable Operating Performance from the ServiceMaster Clean and Merry Maids operations and lower functional support costs.

Discontinued Operations

The components of loss from businesses held pending sale and discontinued operations, net of income taxes, and the reconciliation of operating (loss) income to Adjusted EBITDA and Comparable Operating Performance for the six months ended June 30, 2008 and June 30, 2007 are as follows:

(In thousands)	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Operating income (loss)	$ 629	$ (5,177)
Interest expense	(70)	(36)
Impairment charge	(6,317)	
Pretax loss	(5,758)	(5,213)
Benefit from income taxes	(2,274)	(2,092)
Loss from businesses held pending sale and discontinued operations, net of income taxes	$ (3,484)	$ (3,121)
Operating income (loss)	$ 629	$ (5,177)
Depreciation and amortization expense		1,978
EBITDA before adding back interest and investment income, net	629	(3,199)
Interest and net investment income		
Adjusted EBITDA	629	(3,199)
Non-cash option and restricted stock expense		
Non-cash charges attributable to purchase accounting		
Comparable Operating Performance of businesses held pending sale and discontinued operations	$ 629	$ (3,199)

During the second quarter of 2008, the Company recorded a pre-tax impairment charge of $6.3 million as a result of a change in our fair value estimate of InStar's net assets based on changing market conditions and the ongoing sales process.

FINANCIAL POSITION AND LIQUIDITY FOR THE SIX MONTHS ENDED JUNE 30, 2008

Cash Flows from Operating Activities from Continuing Operations

Net cash provided from operating activities from continuing operations was $13.9 million in the six months ended June 30, 2008 compared to $136.7 million in 2007.

The principal components (in millions) of the net decrease for the six months ended June 30, 2008 were:

Decrease in net income before merger related charges, restructuring charges and non-cash charges	(60.4)
Increase in restructuring payments	(10.2)
Increase in working capital requirements	(52.2)
	(122.8)

The decrease in net income before merger related charges, restructuring charges and non-cash charges for the six months ended June 30, 2008 was driven by increased interest payments offset by Comparable Operating Performance growth at Terminix, TruGreen LandCare and Other Operations and Headquarters. The increase in working capital requirements for the six months ended June 30, 2008 was driven primarily by a shift in the timing of advertising payments as compared to the 2007 period, increased seasonal inventory growth and increased tax assets reflecting the impact of future tax deductions related to the Company's net operating loss carryforwards generated in 2008 offset by increased customer prepayments and accounts receivable collections.

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Cash Flows from Investing Activities from Continuing Operations

Net cash provided from investing activities from continuing operations was $32.5 million in the six months ended June 30, 2008. Amounts paid in connection with the Merger increased $17.4 million. Amounts paid in connection with the Merger in 2008 were primarily related to payments under change in control agreements.

Capital expenditures decreased to $18.1 million for the six months ended June 30, 2008 from $24.2 million in the prior year and included recurring capital needs and information technology projects. The Company anticipates that capital expenditures for the remainder of 2008 will total approximately $20 million to $30 million, reflecting the continuation of investments in information systems and productivity enhancing operating systems. In addition, as further discussed hereunder in "Liquidity", the Company expects to pay approximately $50 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time.

Acquisitions for the six months ended June 30, 2008 totaled $10.0 million, compared with $25.2 million in 2007. Consideration paid for tuck-in acquisitions consisted of cash payments and seller financed debt. The Company expects to continue its tuck-in acquisition program at both Terminix and LawnCare.

The change in notes receivable, financial investments and securities for the six months ended June 30, 2008 includes an increase in the net sale of marketable securities at American Home Shield due in part to lowering the amount of excess reserves over minimum statutory reserve requirements in certain states in accordance with our investment policy, reduced statutory reserve requirements, and the sale of certain marketable securities and the subsequent investment in repurchase agreements in an effort to limit our exposure to changing market conditions.

Cash Flows from Financing Activities from Continuing Operations

During the six months ended June 30, 2008 the Company made borrowings and repayments of $182.0 million under our Revolving Credit Facility. The borrowings reflect normal seasonal working capital needs. The Company also made scheduled principal payments of long-term debt of $35.3 million in the six months ended June 30, 2008. Borrowings and payments of debt during the six months ended June 30, 2007 were primarily related to the funding of seasonal working capital needs through the Company's revolving bank credit facility. Cash dividends paid to shareholders totaled $70.1 million for the six months ended June 30, 2007. No dividends were paid to the Company's shareholder in the first half of 2008. During the six months ended June 30, 2007, the Company received proceeds of $36.3 million under an employee share purchase plan. The employee share purchase plan was terminated subsequent to the Merger.

Liquidity

The Merger was completed on the Closing Date. Following the completion of the Merger, the Company is highly leveraged, and a very substantial portion of the Company's liquidity needs arise from debt service on indebtedness incurred in connection with the Merger and from funding the Company's operations, working capital and capital expenditures. Equity contributions totaling $1,431 million from the Equity Sponsors, together with (i) borrowings under the $1,150 million Interim Loan Facility, (ii) borrowings under a new $2,650 million senior secured term loan facility and (iii) cash on hand at ServiceMaster, were used, among other things, to finance the aggregate Merger Consideration, to make payments in satisfaction of other equity-based interests in ServiceMaster under the Merger Agreement, to settle existing interest rate swaps, to redeem or provide for the repayment of certain of the Company's existing indebtedness and to pay related transaction fees and expenses. In addition, letters of credit issued under a new $150 million pre-funded letter of credit facility were used

to replace and/or secure letters of credit previously issued under a ServiceMaster credit facility that was terminated as of the Closing Date. On the Closing Date, the Company also entered into, but did not draw under, the $500 million Revolving Credit Facility.

The agreements governing the Term Facilities, the Interim Loan Facility and the Revolving Credit Facility contain or contained certain covenants that limit or restrict the incurrence of additional indebtedness, liens, sales of assets, certain payments (including dividends) and transactions with affiliates, subject to certain exceptions. The Company was in compliance with the covenants under these agreements at June 30, 2008.

The Interim Loan Facility matured on July 24, 2008. On the maturity date, outstanding amounts under the Interim Loan Facility were converted on a one to one basis into the Notes that are the subject of this registration statement. The Notes were issued pursuant to a refinancing indenture. In connection with the issuance of the Notes, ServiceMaster entered into a registration rights agreement, pursuant to which ServiceMaster became obligated to file with the SEC the registration statement of which this prospectus is a part.

Through July 15, 2011, the Company may, at its option prior to the start of any interest period, elect to pay interest on outstanding amounts under the Notes entirely in cash ("Cash Interest"), entirely by increasing the principal amount of the outstanding loans ("PIK Interest"), or 50% as Cash Interest and 50% as PIK Interest. Interest payable after July 15, 2011 is payable entirely as cash interest. The Company elected to pay interest payable on January 15, 2009 entirely as cash interest. At the present time, the Company does not plan to elect its option to pay PIK Interest through at least 2009.

Cash and short-and long-term marketable securities totaled approximately $390 million at June 30, 2008, compared with approximately $469 million at December 31, 2007. Approximately $358 million of the cash and short- and long-term marketable securities balance as of June 30, 2008 is associated with regulatory requirements at American Home Shield and for other purposes. For example, the payment of ordinary and extraordinary dividends to ServiceMaster by our subsidiaries that are regulated as insurance, home warranty or similar companies, is subject to applicable state law limitations. AHS' investment portfolio has been invested in a combination of high quality, short duration fixed income securities and equities. The Company closely monitors the performance of the investments. In the ordinary course of business the Company reviews the statutory reserve requirements to which its regulated entities are subject. These reviews may result in either identifying excess reserves over minimum statutory reserve requirements or a determination that the Company can satisfy certain regulatory reserve requirements through alternate financial vehicles, both of which would enhance our liquidity.

The Company has an arrangement enabling it to sell, on a revolving basis and without recourse, certain receivables generated by our TruGreen LawnCare and Terminix segments to unrelated third party purchasers. The Company may sell up to $50 million of its receivables to these purchasers in the future and therefore would have access to cash proceeds from these sales. The amount of the eligible receivables varies during the year based on seasonality of the business. For example, the amount available could be less than $50 million during winter and spring. During the six months ended June 30, 2008, no receivables were sold to third parties under this arrangement. There is presently only one purchaser that is required to purchase receivables under the arrangement. If this purchaser were to exercise its right to terminate its participation in the arrangement, which it may do in the third quarter of each year, the amount of cash available to the Company may be reduced or eliminated.

The Company maintains lease facilities with banks totaling $65 million, which provide for the financing of branch properties to be leased by the Company. At June 30, 2008, approximately $65 million was funded under these facilities. Approximately $12 million of these leases are treated as capital leases and have been included on the balance sheet as assets with related debt as of June 30, 2008. The balance of the funded amount is treated as operating leases. The Company has guaranteed

the residual value of the properties under the leases up to 73 percent of the fair market value at the commencement of the lease. At June 30, 2008, the Company's residual value guarantee related to the leased assets totaled $53 million for which the Company has recorded the estimated fair value of this guarantee (approximately $0.1 million) in the Condensed Consolidated Statement of Financial Position. In connection with the closing of the Merger, the Company amended these leases effective July 24, 2007. Among the modifications, the Company extended the lease terms through July 24, 2010. The operating lease and capital lease classifications of these leases did not change as a result of the modifications.

The majority of the Company's vehicle fleet and some equipment are leased through operating leases. The lease terms are non-cancelable for the first twelve-month term, and then are month-to-month, cancelable thereafter. There are residual value guarantees by the Company (ranging from 70 percent to 87 percent of the estimated terminal value at the inception of the lease depending on the agreement) relative to these vehicles and equipment, which historically have not resulted in significant net payments to the lessors. At June 30, 2008, there was approximately $161 million of residual value relating to the Company's fleet and equipment leases. Approximately $52 million of this residual value is with a lessor that has exercised its option to terminate the lease effective August 2008. The cost of acquiring the assets subject to these leases is expected to amount to approximately $50 million. The fair value of the assets under all of the fleet and equipment leases is expected to substantially mitigate the Company's guarantee obligations under the agreements. At June 30, 2008, the Company has recorded the estimated fair value of this guarantee of approximately $2.9 million in the Condensed Consolidated Statement of Financial Position.

The Company holds certain financial instruments that are measured at fair value on a recurring basis. The fair values of these instruments are measured using both the market and income approaches. For investments in marketable securities, deferred compensation trust assets and derivative contracts, which are carried at their fair values, the Company's fair value estimates incorporate quoted market prices, other observable inputs (for example, interest rates) and unobservable inputs (for example, forward commodity prices) at the balance sheet date.

Under the terms of its fuel swap contracts, the Company is required to post collateral in the event that the fair value of the contracts exceeds a certain agreed upon liability level. As of June 30, 2008, the fair value of the Company's fuel swap contracts was an asset of $10.9 million. Due to entry into additional fuel swap contracts subsequent to June 30, 2008 and the change in the market value of those contracts, the Company posted approximately $9.5 million in letters of credit as collateral for these contracts in the third and fourth quarters of 2008. The continued use of letters of credit for this purpose could limit the Company's ability to post letters of credit for other purposes and could limit the Company's borrowing availability under the Revolving Credit Facility. However, the Company does not expect the fair value of its outstanding fuel swap contacts to materially impact its financial position or liquidity.

The Company's ongoing liquidity needs are expected to be funded by net cash provided by operating activities and, as required, borrowings under the Revolving Credit Facility. We expect that cash provided from operations and available borrowings under the Revolving Credit Facility will provide sufficient funds to operate our business, make expected capital expenditures and meet our foreseeable liquidity requirements, including payment of interest and principal on our debt. As of June 30, 2008, the Company had $500 million of remaining capacity available under the Revolving Credit Facility. As of September 30, 2008, the Company had $335 million of remaining capacity available under the Revolving Credit Facility.

As a holding company, we depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses, including our debt service obligations. The ability of our subsidiaries to make distributions and dividends to us depends on their operating results, cash requirements and

financial condition and general business conditions. As previously described, certain of our subsidiaries are subject to legal and regulatory restrictions on the payment of dividends to us.

The Company's 2007 Annual Report on Form 10-K included disclosure of the Company's contractual obligations and commitments as of December 31, 2007. The Company continues to make the contractually required payments and therefore, the 2008 obligations and commitments as listed in the December 31, 2007 Annual Report on Form 10-K have been reduced by the required payments. As of June 30, 2008, there had been no material changes outside of ordinary course of business in the Company's previously disclosed contractual obligations and commitments since December 31, 2007. See page 61 below for a listing of the Company's contractual obligations and commitments as of December 31, 2007.

Financial Position Continuing Operations

Marketable securities decreased from year end levels reflecting the sale of certain marketable securities and subsequent investment in repurchase agreements, which are classified as cash and cash equivalents in our condensed consolidated statements of financial position, in an effort to limit our exposure to changing market conditions.

Receivables and accounts payable increased from year-end levels as a result of increased seasonal activity.

Inventories increased from year-end levels, reflecting increased seasonal activity. Prepaid expenses and other assets increased from year-end primarily reflecting preseason advertising costs at TruGreen LawnCare and other advertising costs of the Company which are incurred early in the year and deferred on an interim basis and recognized approximately in proportion to revenue over the balance of the year. Deferred customer acquisition costs increased, reflecting the seasonality in the lawn care operations. In the winter and spring, this business sells a series of lawn applications to customers, which are rendered primarily in March through October. These direct and incremental selling expenses which relate to successful sales are deferred and recognized over the production season and are not deferred beyond the calendar year-end. The Company capitalizes sales commissions and other direct contract acquisition costs relating to termite baiting and pest contracts, as well as home warranty agreements. These costs vary with and are directly related to a new sale, and are amortized over the life of the related contract.

Property and equipment decreased from year-end levels due to depreciation. As further discussed in "Liquidity", the Company expects to pay approximately $50 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time.

Deferred revenue increased from year-end levels, reflecting the significant amount of customer prepayments recorded in the first quarter (pre-season) at TruGreen LawnCare, growth in prepaid contracts written at American Home Shield, and growth in Termite Inspection and Protection Plan customers at Terminix.

Accrued payroll and related expenses include provisions for payments due under change in control and severance agreements and provisions for litigation reserves. Accrued payroll and related expenses have decreased from year end levels, reflecting the payment during the first six months of incentive compensation related to 2007 performance and the payment during the first six months of payments due under change in control and severance agreements.

Other long-term obligations, primarily self-insured claims, decreased from year-end levels due primarily to reductions in our obligations under the employee deferred compensation plan and a decrease in the fair value liability of our interest rate swap contracts.

Total shareholder's equity was $1,255 million at June 30, 2008 as compared to $1,304 million at December 31, 2007.

Financial Position Discontinued Operations

The assets and liabilities related to businesses held pending sale and discontinued businesses have been classified in a separate caption on the Consolidated Statements of Financial Position. Assets from the businesses held pending sale have decreased reflecting decreases in receivables at the InStar business. The InStar business was sold by the Company on August 19, 2008.

As part of the American Residential Services and American Mechanical Services sale agreements, the Company guaranteed obligations to third parties with respect to bonds (primarily performance and license type), operating leases for which the Company has been released as being the primary obligor, real estate leased and operated by the buyers, and other guarantees of payment. At the present time, the Company does not believe it is probable that the buyers will default on their obligations subject to guarantee. The fair value of the Company's obligations related to these guarantees is not significant and no liability has been recorded.

Periods from January 1 to July 24, 2007 and July 25 to December 31, 2007 Compared with the Year Ended December 31, 2006

The Company reported revenue of $1,934.4 million in the period from January 1 to July 24, 2007 and $1,422.4 million in the period from July 25 to December 31, 2007 compared to $3,332.7 million in the year ended December 31, 2006. The revenue for the period from July 25 to December 31, 2007 has been reduced by $60.6 million (non-cash) resulting from recording deferred revenue at its fair value in connection with purchase accounting. Excluding purchase accounting, revenue for the combined periods for the year ended December 31, 2007 increased $84.6 million, or 2.5 percent, over 2006 levels, driven by the results of our business units as described in our "Segment Review (Periods from January 1 to July 24, 2007 and July 25 to December 31, 2007 compared with the Year Ended December 31, 2006)."

Operating income was $143.9 million in the period from January 1 to July 24, 2007 and $33.2 million in the period from July 25 to December 31, 2007 compared to $324.1 million in the year ended December 31, 2006. (Loss) Income from continuing operations before income taxes was $137.4 million in the period from January 1 to July 24, 2007 and ($148.5) million in the period from July 25 to December 31, 2007 compared to income from continuing operations before income taxes of $280.5 million in the year ended December 31, 2006. The decrease in (Loss) Income from continuing operations before income taxes as compared to the year ended December 31, 2006 primarily reflects the net effect of:

- The net unfavorable impact of non-cash purchase accounting adjustments in the period from July 25 to December 31, 2007 of $136.9 million consisting primarily of increased amortization of intangible assets of $128.5 million, a $60.6 million reduction in revenue and reduced deferred customer acquisition expense of $54.3 million.

- A $146.1 million increase in interest expense as a result of the new debt structure upon the completion of the Transactions.

- A $41.2 million increase in charges related to the Merger which cannot be capitalized as part of the purchase cost for financial reporting purposes.

- A $21.3 million increase in restructuring charges primarily resulting from the consolidation of the Company's corporate headquarters into its operations support center in Memphis, Tennessee.

A $50.3 million, or 14.5 percent, increase in operating income before income taxes, non-cash purchase accounting adjustments, interest expense, merger related charges and restructuring charges supported by profit growth at Terminix, TruGreen LawnCare and American Home Shield.

The Company continued to experience significant increases in its fuel costs. The Company's fleet, which consumes roughly 30 million gallons annually, continued to be negatively impacted by significant increases in oil prices. Historically, the Company has hedged approximately two-thirds of its estimated annual fuel usage. Fuel costs, after the impacts of the hedges, increased approximately $8 million pretax in the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. Based upon the hedges the Company has executed to date for 2008, as well as current Department of Energy price forecasts, the Company would again expect an incremental adverse impact in 2008, currently projected at $8 to $10 million, pretax.

Health care costs continued to experience strong inflationary pressures for the combined periods for the year ended December 31, 2007. In total, health care and related costs did not increase significantly for the combined periods for the year ended December 31, 2007 as inflationary increases were offset by favorable experience in self-insured claims. For 2008, the Company estimates that it will incur approximately $5 million to $8 million pretax of incremental health care costs due to inflationary pressures.

The decline in short term interest rates has had a beneficial impact on the Company's business on both operating income (loss) and non-operating expense (income) by virtue of its effect on variable rate-based fleet and occupancy leases and investment income. Short term interest rates have improved the Company's results by approximately $1 million pretax for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006.

Operating and Non-Operating Expenses

The Company reported cost of services rendered and products sold of $1,196.3 million for the period from January 1 to July 24, 2007 and $898.5 million for the period from July 25 to December 31, 2007 compared to $2,082.1 million for the year ended December 31, 2006. The period from July 25 to December 31, 2007 includes a $10.1 million (non-cash) decrease in cost of services rendered and products sold from recording deferred costs of services at their fair value in connection with purchase accounting. Excluding purchase accounting, as a percentage of revenue, these costs decreased to 61.6 percent for the combined periods for the year ended December 31, 2007 from 62.5 percent for the year ended December 31, 2006. This decrease primarily reflects the impact of improved labor efficiency at Terminix and a decrease in the incidence of contract claims at AHS, offset by increases in fuel and other factor costs throughout the enterprise.

The Company reported selling and administrative expenses of $530.7 million for the period from January 1 to July 24, 2007 and $331.1 million for the period from July 25 to December 31, 2007 compared to $896.7 million for the year ended December 31, 2006. The period from July 25 to December 31, 2007 includes a $44.2 million (non-cash) decrease in selling and administrative expenses resulting from recording deferred customer acquisition costs at their fair value offset by increased depreciation as a result of recording property and equipment at its fair value in connection with purchase accounting. Excluding purchase accounting, these costs decreased as a percentage of revenue to 26.5 percent for the combined periods for the year ended December 31, 2007 from 26.9 percent for the year ended December 31, 2006. The decrease in selling and administrative expenses as a percentage of revenue primarily reflects lower functional support costs and improved sales labor efficiency at TruGreen LawnCare and Terminix.

Amortization expense was $5.2 million for the period from January 1 to July 24, 2007 and $132.7 million for the period from July 25 to December 31, 2007 compared to $7.2 million for the year ended December 31, 2006. The increase reflects $128.5 million of amortization for the period from

July 25 to December 31, 2007 related to recording amortizable intangible assets of $861 million in purchase accounting.

Non-operating expense totaled $6.5 million for the period from January 1 to July 24, 2007 and $181.7 million for the period from July 25 to December 31, 2007 compared with $43.6 million for the year ended December 31, 2006. This change includes a $148.2 million increase in interest expense for the combined periods for the year ended December 31, 2007, primarily resulting from the increased debt levels related to the Merger, and a $0.9 million decrease in interest and investment income for the combined periods for the year ended December 31, 2007 reflecting (1) the impact to investment gains and income realized on the American Home Shield investment portfolio from revaluing the investment portfolio in purchase accounting, and (2) lower investment income resulting from a decrease in the market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting decrease in compensation expense within operating income). Investment returns are an integral part of the business model at American Home Shield, and there will always be some market-based variability in the timing and amount of investment returns realized from year to year.

The effective tax rate on income (loss) from continuing operations was 37.6 percent for the period from January 1 to July 24, 2007 and (35.1) percent for the period from July 25 to December 31, 2007 compared to 33.9 percent for the year ended December 31, 2006. The effective tax rate for the combined periods for the year ended December 31, 2007 includes reductions in tax expense resulting from the favorable resolution of state tax items related to a prior non-recurring transaction, as well as the incremental deferred tax benefits that became recognizable during the second quarter of 2007 upon the conversion of the minority equity interests in Terminix into eight million shares of ServiceMaster common stock. These factors were offset, in part, by the unfavorable impact of merger related book expenses that are not deductible for federal income tax reporting purposes.

Restructuring and Merger Related Charges

The Company recognized restructuring charges of $16.9 million for the period from January 1 to July 24, 2007 and $26.0 million for the period from July 25 to December 31, 2007. Approximately $25.4 million of the charges for the combined periods for the year ended December 31, 2007 are related to the Company's consolidation of its corporate headquarters into its operations support center in Memphis, Tennessee and closing of its headquarters in Downers Grove, Illinois. The Company believes the consolidation of the Downers Grove support functions and positions with the operating unit leadership in Memphis will improve the speed and effectiveness of communications and decision-making. Such costs include employee retention and severance costs, lease termination costs, training of replacement employees, and temporary employee staffing and recruiting costs. Almost all such costs were cash expenditures. In accordance with GAAP, these costs were expensed over the transition period.

In connection with the consolidation, the Company expects to realize reductions in travel and rent costs of approximately $3 million per year, with full realization of these annual savings beginning in 2008. Depending on the impact of Fast Forward (as discussed below), savings may be realized from state and local tax incentives.

The transition to Memphis was substantially completed in 2007 and the Company expects costs incurred related to this transition in 2008 to be insignificant.

The restructuring amount for the combined periods for the year ended December 31, 2007 also included approximately $7.9 million of charges, primarily severance costs, related to organizational changes made within the TruGreen LandCare operations.

In connection with the first phase of Fast Forward, the Company incurred costs of approximately $9.8 million pre-tax in the period from July 25 to December 31, 2007. Such costs include lease termination costs and related asset impairments related to closing the Santa Rosa call center of approximately $3.7 million; and severance and other costs of approximately $6.1 million.

The Company expects that it will incur substantial additional costs in order to implement the second phase of Fast Forward, but is currently unable to estimate the aggregate amount or timing of such charges or the anticipated related cash outlays.

Management has set a goal of achieving $60 million in annual cost savings from Fast Forward and other initiatives currently underway, which are expected to be fully realized by the end of 2009.

The 2006 aggregate restructuring charges totaled $21.6 million pretax. The after-tax impact of the restructuring charges including approximately $6 million of non-recurring net operating loss carryforward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis, Tennessee, totaled $6.9 million. The 2006 aggregate restructuring charges were comprised of the following:

Severance costs and third party professional fees and expenses resulting from the organizational changes made as part of "Project Accelerate" (a Company initiative to improve the effectiveness and efficiency of its functional support areas) and severance costs associated with the resignation in the second quarter of 2006 of the Company's former Chief Executive Officer. These costs totaled $11.2 million, substantially all of which was paid by the end of 2006.

Approximately $10.4 million of restructuring charges in the fourth quarter of 2006 related to the Company's consolidation of its corporate headquarters into its operations support center in Memphis, Tennessee and closing of its headquarters in Downers Grove, Illinois.

The Company incurred Merger related expenses totaling $41.4 million for the period from January 1 to July 24, 2007 and $0.8 million for the period from July 25 to December 31, 2007 compared to $1.0 million for the year ended December 31, 2006. These Merger related costs include investment banking, accounting, legal and other costs associated with the Merger, which cannot be capitalized as part of the purchase cost for financial reporting purposes.

Key Performance Indicators

The table below presents selected operating metrics related to customer counts and customer retention for the three largest profit businesses in the Company. These measures are presented on a rolling, twelve-month basis in order to avoid seasonal anomalies.

	Key Performance Indicators	
	2007	**2006**
TruGreen LawnCare		
Growth in Full Program Accounts	2%	0%
Customer Retention Rate	65.1%	62.9%
Terminix(a)		
Growth in Pest Control Customers	2%	9%
Pest Control Customer Retention Rate	78.1%	79.5%
Growth in Termite Customers	1%	0%
Termite Customer Retention Rate	87.6%	87.5%
American Home Shield		
Growth in Warranty Contracts	6%	2%
Customer Retention Rate	61.9%	58.2%

(a) 2006 pest control customer count growth, excluding the impact of the Safeguard Pest Control acquisition completed at the beginning of the fourth quarter of 2006, was 5%. The customer retention rate in 2006, excluding the impact of the Safeguard acquisition added to the customer base, was approximately 78.9%.

Segment Review (Periods from January 1 to July 24, 2007 and July 25 to December 31, 2007 Compared with the Year Ended December 31, 2006)

The following business segment reviews should be read in conjunction with the required footnote disclosures presented in the Notes to the Consolidated Financial Statements. This disclosure provides a reconciliation of segment operating income to income from continuing operations before income taxes, with net non-operating expenses as the only reconciling item. See page 29 above for a description of the various non-GAAP financial measures that appear in the table below, including a discussion of the reasons management has included such measures in this filing and a discussion of some of the limitations of such measures.

Operating revenues and Comparable Operating Performance by operating segment are as follows:

(In thousands)	Successor Jul. 25, 2007 to Dec. 31, 2007	Predecessor Jan. 1, 2007 to Jul. 24, 2007	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005
Operating Revenue:				
TruGreen LawnCare	$ 501,830	$ 597,147	$ 1,052,257	$ 1,024,641
TruGreen LandCare	169,741	242,154	444,338	453,323
Terminix	445,760	645,700	1,075,481	1,056,285
American Home Shield	209,661	331,361	564,817	528,687
Other Operations and Headquarters	95,366	118,028	195,810	176,542
Total Operating Revenue	$ 1,422,358	$ 1,934,390	$ 3,332,703	$ 3,239,478
Comparable Operating Performance:				
TruGreen LawnCare	$ 102,296	$ 84,208	$ 172,157	$ 184,369
TruGreen LandCare	1,483	965	5,622	12,728
Terminix	74,047	120,057	166,594	157,346
American Home Shield	41,528	63,432	91,360	96,409
Other Operations and Headquarters	(17,025)	(60,277)	(20,458)	(32,604)
Total Comparable Operating Performance	$ 202,329	$ 208,385	$ 415,275	$ 418,248
Memo: Items included in Comparable Operating Performance:				
Restructuring charges and Merger related expenses(1)	$ 26,815	$ 58,350	$ 22,640	$
Management fee(2)	$ 875	$	$	$

(1) Comparable Operating Performance includes (i) restructuring charges associated with Project Accelerate, (ii) severance costs and costs related to the consolidation of our corporate headquarters in Memphis, Tennessee, including the closing of our office in Downers Grove, Illinois, (iii) costs to exit leases and severance payments related to organizational changes within the TruGreen LandCare operations, (iv) charges related to Fast Forward and (v) Merger related expenses. Substantially all of the restructuring charges and Merger related expenses are included in the Comparable Operating Performance of the Other Operations and Headquarters segment, with the exception of $5.9 million included in the American Home Shield segment for the period from July 25 to December 31, 2007 and $7.9 million included in the TruGreen LandCare segment for the period from July 25 to December 31, 2007.

(2) Represents a management fee payable to CD&R pursuant to a consulting agreement under which CD&R will provide the Company with on-going consulting and management advisory services for a minimum annual fee of $2 million.

The following table presents reconciliations of operating income (loss), the most directly comparable financial measure under GAAP, to Adjusted EBITDA and Comparable Operating Performance for the periods presented.

(in thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Successor Jul. 25, 2007 to December 31, 2007						
Operating income (loss)(1)	$ 42,156	$ (6,351)	$ 49,216	$ (20,764)	$ (31,017)	$ 33,240
Depreciation and amortization expense	88,628	5,928	28,543	22,038	10,504	155,641
EBITDA before adding back interest and investment income, net	130,784	(423)	77,759	1,274	(20,513)	188,881
Interest and investment income, net(2)				(6,749)	3,186	(3,563)
Adjusted EBITDA	130,784	(423)	77,759	(5,475)	(17,327)	185,318
Non-cash option and restricted stock expense					300	300
Non-cash charges attributable to purchase accounting(3)	(28,488)	1,906	(3,712)	47,003	2	16,711
Comparable Operating Performance	$ 102,296	$ 1,483	$ 74,047	$ 41,528	$ (17,025)	$ 202,329
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$ 405	$ 7,920	$ 76	$ 5,874	$ 12,540	$ 26,815
Management fee(5)	$	$	$	$	$ 875	$ 875
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (6,382)	$ (6,382)
Comparable Operating Performance of all other discontinued operations					(165)	(165)
Comparable Operating Performance of businesses held pending sale and discontinued operations	$	$	$	$	$ (6,547)	$ (6,547)
Predecessor Jan. 1, 2007 to Jul. 24, 2007						
Operating income (loss)(1)	$ 75,656	$ (2,206)	$ 109,461	$ 35,582	$ (74,561)	$ 143,932
Depreciation and amortization expense	8,552	3,171	10,596	3,687	6,408	32,414
EBITDA before adding back interest and investment income, net	84,208	965	120,057	39,269	(68,153)	176,346
Interest and investment income, net(2)				24,163	4,461	28,624
Adjusted EBITDA	84,208	965	120,057	63,432	(63,692)	204,970
Non-cash option and restricted stock expense					3,415	3,415
Non-cash charges attributable to purchase accounting(3)						
Comparable Operating Performance	$ 84,208	$ 965	$ 120,057	$ 63,432	$ (60,277)	$ 208,385
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$	$	$	$	$ 58,350	$ 58,350
Management fee(5)	$	$	$	$	$	$
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (5,739)	$ (5,739)
Comparable Operating Performance of all other discontinued operations					326	326
Comparable Operating Performance of businesses held pending sale and discontinued	$	$	$	$	$ (5,413)	$ (5,413)

operations

(in thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Predecessor Year Ended Dec. 31, 2006						
Operating income (loss)(1)	$ 157,695	$ (587)	$ 152,161	$ 62,780	$ (47,921)	$ 324,128
Depreciation and amortization expense	14,462	6,209	14,433	8,222	11,010	54,336
EBITDA before adding back interest and investment income, net	172,157	5,622	166,594	71,002	(36,911)	378,464
Interest and investment income, net(2)				20,358	5,584	25,942
Adjusted EBITDA	172,157	5,622	166,594	91,360	(31,327)	404,406
Non-cash option and restricted stock expense					10,869	10,869
Non-cash charges attributable to purchase accounting(3)						
Comparable Operating Performance	$ 172,157	$ 5,622	$ 166,594	$ 91,360	$ (20,458)	$ 415,275
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$	$	$	$	$ 22,640	$ 22,640
Management fee(5)	$	$	$	$	$	$
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ 7,781	$ 7,781
Comparable Operating Performance of all other discontinued operations					17,837	17,837
Comparable Operating Performance of businesses held pending sale and discontinued operations	$	$	$	$	$ 25,618	$ 25,618

(in thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Predecessor Year Ended Dec. 31, 2005						
Operating income (loss)(1)	$ 171,758	$ 4,317	$ 145,568	$ 70,959	$ (52,519)	$ 340,083
Depreciation and amortization expense	12,611	8,411	11,778	8,492	8,475	49,767
EBITDA before adding back interest and investment income, net	184,369	12,728	157,346	79,451	(44,044)	389,850
Interest and investment income, net(2)				16,958	2,874	19,832
Adjusted EBITDA	184,369	12,728	157,346	96,409	(41,170)	409,682
Non-cash option and restricted stock expense					8,566	8,566
Non-cash charges attributable to purchase accounting(3)						
Comparable Operating Performance	$ 184,369	$ 12,728	$ 157,346	$ 96,409	$ (32,604)	$ 418,248
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related expenses(4)	$	$	$	$	$	$
Management fee(5)	$	$	$	$	$	$
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of Instar	$	$	$	$	$	$
Comparable Operating Performance of all other discontinued operations					36,497	36,497

Comparable Operating Performance of businesses held pending sale and discontinued operations	$	$	$	$	$	36,497	$ 36,497

(1) Presented below is a reconciliation of segment operating income to net (loss) income.

(In thousands)	Successor Jul. 25, 2007 to Dec. 31, 2007	Predecessor Jan. 1, 2007 to July 24, 2007	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005
Segment Operating Income	$ 33,240	$ 143,932	$ 324,128	$ 340,083
Non-operating expense (income):				
Interest expense	177,938	31,643	61,341	56,999
Interest and net investment loss (income)	3,563	(28,624)	(25,942)	(19,832)
Minority interest and other expense, net	233	3,532	8,240	8,218
(Loss) Income from Continuing Operations before Income Taxes	$ (148,494)	$ 137,381	$ 280,489	$ 294,698
(Benefit) provision for income taxes	(52,182)	51,692	95,205	114,137
(Loss) Income from Continuing Operations	(96,312)	85,689	185,284	180,561
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes	(27,208)	(4,588)	(15,585)	18,364
Net (Loss) Income	$ (123,520)	$ 81,101	$ 169,699	$ 198,925

(2) Interest and investment income is primarily comprised of investment income and realized gains/losses on our American Home Shield (AHS) segment investment portfolio. Cash, short-term and long-term marketable securities associated with regulatory requirements in connection with AHS and for other purposes totaled approximately $382.6 million as of December 31, 2007. AHS interest and investment income was $24.1 million for the period from January 1 to July 24, 2007, ($6.7) million for the period from July 25 to December 31, 2007 and $20.4 million for the year ended December 31, 2006. The balance of interest and investment income primarily relates to (i) a portion of the earnings generated by ServiceMaster Acceptance Corporation ("SMAC"), our financing subsidiary exclusively dedicated to providing financing to our franchisees and retail customers of our operating units; (ii) investment income from our employee deferred compensation trust (for which there is a corresponding and offsetting increase in compensation expense within operating income); and (iii) interest income on other cash balances.

(3) The Merger was accounted for using purchase accounting. This adjustment represents the aggregate, non-cash adjustments (other than amortization and depreciation) attributable to the application of purchase accounting.

(4) Includes (i) restructuring charges for severance as well as costs associated with Project Accelerate, (ii) severance costs and costs related to the consolidation of our corporate headquarters in Memphis, Tennessee, including the closing of our office in Downers Grove, Illinois, (iii) costs to exit leases and severance payments related to organizational changes within the TruGreen LandCare operations, (iv) Merger related expenses and (v) charges related to Fast Forward.

(5) The Company entered into a consulting agreement with CD&R under which CD&R will provide the Company with on-going consulting and management advisory services in exchange for a minimum annual management fee of $2 million. This fee is payable quarterly.

TruGreen LawnCare Segment

The TruGreen LawnCare segment, which includes lawn, tree and shrub care services, reported a 4.4 percent increase in revenue, a 25.3 percent decrease in operating income and an 8.3 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The growth in revenue and Comparable Operating Performance was supported by improved price realization and continued improvements in customer retention. Customer counts at December 31, 2007 were 2 percent higher than last year's level. Improved customer retention helped offset a 0.3 percent decline in new sales, which were adversely

impacted by poor April weather. The rolling twelve-month retention rate improved 220 basis points over last year, driven by improvements in overall quality of service delivery and enhanced customer communication, including the Lawn Quality Audit (LQA) visits initiated during the second half of 2006. The Company believes that improvement in customer retention can be achieved over the next several years as it expands the LQA program, focuses its efforts on reducing route manager turnover and continues to improve overall communication with customers. Additionally, the lawn care operations realized improvements in average pricing as compared to 2006.

The 8.3 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006 was supported by lower sales costs, the favorable leveraging of overhead costs and improved labor productivity, due to a reduction in route manager turnover and a reduced level of service calls relative to last year.

TruGreen LandCare Segment

The TruGreen LandCare segment, which includes landscape maintenance services, reported a 7.3 percent decrease in revenue, a 1,357.8 percent decrease in operating income and a 56.5 percent decrease in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The decline in revenue included a 7.5 percent decline in base contract maintenance revenue and an 11.6 percent decrease in enhancement revenue. These factors were offset, in part, by a $6 million increase in 2007 snow removal service revenue. The revenue comparison was adversely impacted by branch closures completed during the third quarter of 2007, as well as the near-term impacts of the Company's efforts to improve the quality of its customer base with a better customer mix by pruning less profitable jobs, implementing stricter pricing on new sales, and increasing the average size of new proposals and sales. Although the total base contract maintenance sales dollars declined for the combined periods for the year ended December 31, 2007, the Company realized a meaningful improvement in the average value per contract sold (higher value contracts tend to be more profitable).

TruGreen LandCare's Comparable Operating Performance includes the impact of $7.9 million of restructuring charges for the period from July 25 to December 31, 2007. Excluding the impact of the restructuring charges Comparable Operating Performance improved 84.4 percent for the combined periods for the year ended December 31,2007, over 2006 levels, primarily due to the increase in high margin snow removal work and improved materials and labor management on the base contract maintenance portfolio. These factors were offset, in part, by increased sales labor resulting from investments made to increase the size, caliber and training of the sales team and reductions in higher margin enhancement revenue. These investments have led to steady improvement in the relative size and quality of sales proposals, which the Company believes will support improving growth in base contract maintenance sales in 2008 and future periods.

Over the next several years, the Company's plan targets significant margin improvement, which the Company believes will be accomplished through: (1) a better customer mix, reflecting higher average job size, stricter pricing on new sales, and the pruning of less profitable jobs, (2) improvement in branch manager selection and training, and (3) increased customer retention from new operating and account management initiatives.

Terminix Segment

The Terminix segment, which includes termite and pest control services, reported a 1.5 percent increase in revenue for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. Revenue for the period from July 25 to December 31, 2007 has been reduced by $5.3 million (non-cash) as a result of recording deferred revenue at its fair value in connection with purchase accounting. This only impacts revenue and operating income as the non-cash effects attributable to purchase accounting are excluded from Comparable Operating Performance. Excluding purchase accounting, revenue increased 2.0 percent for the combined periods for the year ended December 31, 2007 over the year ended December 31, 2006. Terminix reported a 4.3 percent increase in operating income and a 16.5 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007, compared to the year ended December 31, 2006. The segment's overall revenue growth reflected strong growth in pest control revenues and increases in termite contract renewals, offset, in part, by a double digit percentage decline in revenue from termite completions. Pest control revenues increased 8.1 percent for the combined periods for the year ended December 31, 2007 as compared to the year

ended December 31, 2006, as the impact of acquisitions more than offset a decrease in new unit sales. In October 2006, Terminix acquired SafeGuard Pest Control, a company with annual revenues of over $23 million. A 3.5 percent increase in renewal revenues for the combined periods for the year ended December 31, 2007 was supported by improved pricing and a 10 basis point improvement in termite customer retention.

Revenue from termite completions declined 12.5 percent for the combined periods for the year ended December 31, 2007, due primarily to a weak annual termite swarm season. However, there was an increase in renewable unit sales in 2007, driven by the Company's new Termite Inspection and Protection Plan offering. The revenue related to Termite Inspection and Protection Plan sales is deferred and recognized over the one year term of the contract. The strong growth in operating income and Comparable Operating Performance reflects lower termite materials costs, effective management of seasonal staffing of production and sales labor, and reduced overhead spending, offset, in part, by increased provisions for certain legal matters.

American Home Shield Segment

The American Home Shield segment, which provides home warranties to consumers that cover heating, ventilation, air conditioning ("HVAC"), plumbing and other systems and appliances, reported a 4.2 percent decrease in revenue for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. Revenue for the period from July 25 to December 31, 2007 has been reduced by $55.3 million (non-cash) as a result of recording deferred revenue at its fair value in connection with purchase accounting. This only impacts revenue and operating income as the non-cash effects attributable to purchase accounting are excluded from Comparable Operating Performance. Excluding purchase accounting, revenue increased 5.6 percent for the combined periods for the year ended December 31, 2007 over the year ended December 31, 2006. American Home Shield reported a 76.4 percent decrease in operating income and a 14.9 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 over the year ended December 31, 2006. New contract sales and renewal units, which are reported as earned revenue over the subsequent twelve-month contract period, increased 5.3 percent. Contract unit sales from customer renewals increased 7.2 percent, reflecting a larger base of renewable customers and a 370 basis point improvement in retention. Sales in the real estate channel were supported by the favorable impact of the Realogy agreement signed during the third quarter of 2006, with overall unit sales growth through this channel of 4.5 percent. Real estate unit sales, excluding the impact of sales from the Realogy agreement, declined 12.7% due to continued softness in the home resale market throughout most of the country. The Company expects this agreement to generate incremental sales in 2008 in amounts to enable continued growth through this channel in the face of anticipated softness in the home resale market throughout most of the country. The annual level of incremental sales is expected to continue to grow over the balance of the five year contract term, as the Company expands penetration of the franchised outlets of Realogy's brands and increases contract renewals. The increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 includes a $4.9 million increase in interest and investment income from the American Home Shield investment portfolio as compared to 2006, a decrease in the incidence of contract claims from the levels experienced last year and the beneficial impacts of increases in prices and service fees per claim.

Other Operations and Headquarters Segment

This segment includes the operations of ServiceMaster Clean and Merry Maids, as well as the Company's headquarters functions. The segment reported an 9.0 percent increase in revenue for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The ServiceMaster Clean and Merry Maids franchise operations reported a combined 9.6 percent increase for the combined periods for the year ended December 31, 2007. The growth in revenue resulted from strong increases in product sales and disaster restoration services, as well as the impact of

acquisitions at Merry Maids. The ServiceMaster Clean and Merry Maids franchise operations reported a combined decrease in operating income of 0.7 percent and an increase in Comparable Operating Performance of 10.0 percent for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The decrease in the segment's Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006 primarily reflects the Merger related expenses incurred in 2007 and an increase in restructuring charges in 2007 over 2006 levels, offset, in part, by increased profits from the ServiceMaster Clean and Merry Maids operations.

Discontinued Operations

In the fourth quarter of 2007, management of the Company concluded that InStar did not fit within the long-term strategic plans of the Company and committed to a plan to sell the business. InStar provides disaster response and reconstruction services to primarily commercial customers and was previously reported as part of the Company's Other Operations and Headquarters segment. As a result of the decision to sell this business, an $18.1 million impairment charge ($12.3 million, net of tax) was recorded in "(loss) income from businesses held pending sale and discontinued operations, net of income taxes" in the fourth quarter of 2007 to reduce the carrying value of InStar's long-lived assets to their fair value less cost to sell in accordance with the provisions of SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This charge was in addition to a $12.9 million ($8.8 million, net of tax) goodwill impairment charge.

In the third quarter of 2006, the Company completed the sales of American Residential Services (ARS) and American Mechanical Services (AMS) generating gross cash proceeds of approximately $115 million, which was used to reduce outstanding debt balances. During the first quarter of 2006, the Company recorded a $25 million after-tax ($42 million pretax) impairment charge for expected losses on the disposition of certain ARS/AMS properties held pending sale. The Company recorded an after-tax net loss of ($0.5) million related to the sales of the ARS and AMS businesses in the third quarter of 2006.

The components of (loss) income from businesses held pending sale and discontinued operations, net of income taxes and the reconciliation of operating (loss) income to Adjusted EBITDA and Comparable Operating Performance for the 2007 Predecessor and Successor periods, 2006 and 2005 are as follows:

(In thousands)	Successor Jul. 25, 2007 to Dec. 31, 2007	Predecessor Jan. 1, 2007 to Jul. 24, 2007	Year Ended Dec. 31, 2006	Year Ended Dec. 31, 2005
Operating (loss) income	$ (8,833)	$ (7,617)	$ 16,509	$ 30,355
Interest expense	(34)	(38)	(55)	
Impairment charge	(31,006)		(42,000)	
Pretax (loss) income	(39,873)	(7,655)	(25,546)	30,355
(Benefit) provision for income taxes	(12,665)	(3,067)	(10,456)	11,991
Loss on sale, net of tax			(495)	
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes	$ (27,208)	$ (4,588)	$ (15,585)	$ 18,364
Operating (loss) income	$ (8,833)	$ (7,617)	$ 16,509	$ 30,355
Depreciation and amortization expense	2,286	2,204	9,109	6,142
EBITDA before adding back interest and investment income, net	(6,547)	(5,413)	25,618	36,497
Interest and investment income, net				
Adjusted EBITDA	(6,547)	(5,413)	25,618	36,497
Non-cash option and restricted stock expense				
Non-cash charges attributable to purchase accounting				
Comparable Operating Performance	$ (6,547)	$ (5,413)	$ 25,618	$ 36,497

2006 Compared with 2005

Revenue from continuing operations for 2006 was $3,333 million, a three percent increase over 2005. The Company reported income from continuing operations in 2006 of $185.3 million and a loss from discontinued operations of ($15.6) million. Net income (i.e., from both continuing operations and discontinued operations) was $169.7 million in 2006 compared with $198.9 million in 2005.

As more fully discussed in the Restructuring Charges section, the income from continuing operations for 2006 includes restructuring charges net of related tax benefits of $22 million pre-tax ($7 million after-tax). Additionally, the 2006 results include a reduction in income tax expense of $7 million from the favorable resolution in the fourth quarter of 2006 of state tax items related to a prior year non-recurring transaction. Operating income for 2006, which included $22 million in restructuring charges, was $324.1 million compared with $340.1 million in 2005. The net change in operating income reflects the impact of the restructuring charges and lower profits in several business segments, which are more fully discussed in the segment reviews, offset in part by continued favorable trending of prior year insurance claims, lower functional support costs and solid profit growth at Terminix.

The Company continued to experience significant increases in some of its key factor costs. Unusually rapid increases in fuel, health care, and interest costs had a combined adverse impact relative to 2005 of approximately $36 million pretax. With respect to fuel, the Company's fleet, which

consumes roughly 30 million gallons annually, continued to be negatively impacted by significant increases in oil prices. Each year, the Company hedges approximately two-thirds of its estimated annual fuel usage. Fuel costs, after the impacts of the hedges, increased approximately $13 million pretax in 2006.

Health care costs continued to experience strong inflationary pressures in 2006. In addition, the Company made incremental investments in employee health benefits in 2006 as part of its efforts to further enhance employee satisfaction and retention. In total, health care and related costs increased approximately $15 million pretax in 2006.

Increases in short term interest rates have adversely impacted the Company's businesses at both the operating and non-operating income lines by virtue of their effects on variable rate-based fleet and occupancy leases, as well as floating rate debt and investment income. On a combined basis, interest rate increases adversely impacted the Company's 2006 results by approximately $8 million pretax.

The Company continued to make strides in reducing the costs that it can more directly control. The Company has maintained its focus and momentum in driving down safety-related costs. Total safety-related costs, including the income statement effects of favorable trending of prior year claims, decreased approximately $14 million pretax in 2006.

Restructuring Charges

The 2006 results include restructuring charges for severance, as well as costs associated with Project Accelerate and the costs related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its headquarters in Downers Grove, Illinois. Combined restructuring charges totaled $21.6 million pretax, $6.9 million after-tax in 2006. The after-tax impact of the restructuring charges includes approximately $6 million of non-recurring net operating loss carry forward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis.

The 2006 results include severance and third party professional fees and expenses resulting from the organizational changes made as part of Project Accelerate and severance costs associated with the resignation in the second quarter of the Company's former Chief Executive Officer. These charges totaled $11.2 million, substantially all of which was paid by the end of 2006.

In October 2006, the Board of Directors of the Company approved a plan to consolidate the Company's headquarters into its operations support center in Memphis, Tennessee and close its then current headquarters in Downers Grove, Illinois. The Company recognized approximately $10.4 million of these charges in the fourth quarter of 2006.

Operating and Non-Operating Expenses

Cost of services rendered and products sold increased four percent compared to the prior year and increased as a percentage of revenue to 62.5 percent in 2006 from 62.1 percent in 2005. This increase primarily reflects the impact of fuel and other factor cost increases throughout the enterprise. Selling and administrative expenses increased two percent and decreased as a percentage of revenue to 26.9 percent from 27.2 percent in 2005. The decrease in selling and administrative expenses as a percentage of revenue primarily reflects lower functional support costs and improved sales labor efficiency at Terminix.

Interest and investment income increased $6 million reflecting both higher investment income resulting from an increase in the market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting increase in compensation expense within operating income), as well as higher investment income experienced on the American Home

Shield investment portfolio. Interest expense increased $4 million due to higher debt balances and interest rates.

The effective tax rate for continuing operations was 33.9 percent in 2006 and 38.7 percent in 2005. The 2006 effective tax rate is impacted by the tax benefits related to the restructuring charges, which include a non-recurring credit of approximately $6 million of non-recurring net operating loss carryforward benefits which became realizable to the Company as a result of its decision to relocate its corporate headquarters to Memphis, as well as an approximately $7 million reduction in the 2006 tax expense resulting from the resolution of state tax items related to a prior non-recurring transaction.

Segment Review (2006 vs 2005)

The segment reviews should be read in conjunction with the required footnote disclosures presented in the Notes to the Consolidated Financial Statements. This disclosure provides a reconciliation of segment operating income to (loss) income from continuing operations before income taxes, with net non-operating expenses as the only reconciling item.

The table below presents selected operating metrics related to customer counts and customer retention for the three largest profit businesses in the Company.

Key Performance Indicators

As of December 31,	2006	2005
TruGreen LawnCare		
Growth in Full Program Accounts	0%	1%
Customer Retention Rate	62.9%	61.2%
Terminix		
Growth in Pest Control Customers	9%(a)	3%
Pest Control Customer Retention Rate	79.5%(a)	77.2%
Growth in Termite Customers	0%	0%
Termite Customer Retention Rate	87.5%	87.2%
American Home Shield		
Growth in Warranty Contracts	2%	6%
Customer Retention Rate	58.2%	57.4%

(a) Pest control customer count growth, excluding the impact of the Safeguard Pest Control acquisition completed at the beginning of the fourth quarter of 2006, was 5%. The customer retention rate improvement in 2006, excluding the impact of the Safeguard acquisition added to the customer base, was approximately 170 basis points.

TruGreen LawnCare Segment

The TruGreen LawnCare segment, which includes lawn, tree and shrub care services, reported a three percent increase in revenue to $1.05 billion from $1.02 billion in 2005. Operating income totaled $157.7 million and Comparable Operating Performance totaled $172.2 million in 2006 compared to $171.8 million and $184.4 million in 2005, respectively.

The growth in revenue reflects increased price realization during the year, as well as increases in supplemental and commercial services. At year end, customer counts were comparable to 2005 levels, as strong improvements in retention and the impacts of acquisitions offset a decline in unit sales. Customer retention for the rolling twelve months ended December 31, 2006 increased 170 basis points, a sharp improvement from the declines that existed in the first half of the year. The Company expanded its efforts to improve customer satisfaction and retention. These efforts included the initiation of a program of lawn quality audits (LQAs), which are customer visits to evaluate the condition of the lawn and landscape.

Significant declines in telemarketing sales, due to the expansion of Do-Not-Call lists and caller ID mechanisms, more than offset solid growth in sales from newer channels, including direct mail and neighborhood programs.

The decrease in operating income and Comparable Operating Performance was attributable to investments in new programs to improve customer satisfaction and retention, as well as increased fuel and fertilizer prices and higher health insurance and variable lease costs.

TruGreen LandCare Segment

The TruGreen LandCare segment, which includes landscape maintenance services, reported a two percent decrease in revenue to $444 million from $453 million in 2005 and Comparable Operating Performance of $5.6 million compared to Comparable Operating Performance of $12.7 million in 2005. Operating income decreased from $4.3 million in 2005 to a loss of $0.6 million in 2006.

Base contract maintenance revenue was comparable to the prior year. Sales activity at the end of 2006 was strong and there was a modest improvement in customer retention. During 2006, TruGreen LandCare continued to invest in expanding the size and caliber of its sales force and providing it with improved tools and training.

Enhancement revenue (e.g., add-on services such as seasonal flower plantings, mulching, etc.), which represents approximately one-third of LandCare's revenue, was consistent with 2005 levels, as solid growth early in 2006 was offset by a large amount of fourth quarter 2005 hurricane-related work that did not recur.

The decline in operating results was largely impacted by much lower snow removal revenue due to less snow. Although the Company's snow removal business accounts for less than five percent of the full year revenue, it has relatively high margins. In 2006, gross profit from snow removal work decreased $6 million from the level in 2005.

Terminix Segment

The Terminix segment, which includes termite and pest control services, reported a two percent increase in revenue to $1.08 billion from $1.06 billion in 2005. Comparable Operating Performance increased six percent to $166.6 million compared to $157.3 million in 2005. Operating income increased 4.5 percent from $145.6 million in 2005 compared to $152.2 million in 2006.

The Terminix segment's overall revenue growth reflected solid growth on the pest control side of the business and increases in termite contract renewals, offset in part by a decline in revenue from initial termite applications. Revenue from pest control services, which represents approximately one-half of the annual revenues of the Terminix segment, increased six percent, supported by an improvement in retention, solid growth in unit sales, and the impact of acquisitions. In October 2006, Terminix acquired Safeguard Pest Control, a company with annual revenue of over $23 million.

Revenue from initial termite applications declined eight percent as a result of a combination of factors. A weak annual termite swarm season in most regions of the country drove a significant (16 percent) decline in the inflow of sales leads. However, the lead to sales conversion rate for the year improved, resulting in a four percent increase in unit sales. The increase in unit sales was, in turn, offset by the combined effects of a continued shift in mix from the bait service to lower priced liquid treatments, as well as less revenue being recognized in the current year from prior year sales. This latter factor resulted from the change to a new bait product in early 2005. The new bait product has different operational protocols, which required less revenue and profits to be deferred into 2006 than had been deferred into 2005. Revenue from termite contract renewals increased four percent, supported by improved pricing and gains in retention.

The operating income and Comparable Operating Performance comparisons include unusual and offsetting items that did not have a significant net impact on comparability of results between years. In 2006, the Company recorded $2 million of costs associated with site remediation at two locations in the first quarter and $4 million of litigation expense in the fourth quarter. Additionally, 2006 included the above-mentioned impact of less deferred bait revenue and profit. Offsetting these items, the Company recorded $10 million of incremental damage claims expense in 2005 due to a correction in estimating prior years' termite damage claims reserves. The overall growth in operating income and Comparable Operating Performance primarily resulted from lower termite material costs and improved labor efficiency, offset in part by higher fuel prices and health insurance costs.

American Home Shield Segment

The American Home Shield segment, which provides home warranties to consumers that cover HVAC, plumbing and other systems and appliances, reported a seven percent increase in revenue to $565 million from $529 million in 2005, and Comparable Operating Performance of $91.4 million compared to $96.4 million in 2005, a decrease of five percent. Operating income decreased 11.5 percent from $71.0 million in 2005 to $62.8 million in 2006.

Warranty contract sales and renewals, which are reported as earned revenue over the subsequent twelve-month contract period, increased six percent in 2006. Warranty contract renewals, which represent approximately 60 percent of total annual contracts written, increased fifteen percent, supported by a larger base of renewable customers and continued improvements in retention. This growth was partially offset by declines in new sales from both the real estate and direct to consumer channels.

Unit sales in the real estate channel, which represents approximately 25 percent of total annual contracts written, were down nine percent, due to a pervasive weakening in the home resale market. In the third quarter of 2006, the Company signed an agreement with Realogy, which includes the Coldwell Banker, Century 21 and ERA brands. This agreement is strategically very important and is expected to help generate strong growth in real estate sales in the future.

The direct-to-consumer channel, which represents approximately 15 percent of total annual contracts written, experienced a six percent decline in unit sales due to lower response rates on certain direct mail programs.

The decline in operating income and Comparable Operating Performance primarily resulted from increases in the average cost per service claim. Heating and air conditioning related costs were at relatively higher levels than last year due to the required conversion to more efficient "13 SEER" units as a result of legislation that became effective early in 2006. Claim costs in other areas, such as appliance and plumbing, were also higher as a result of inflationary pressures. Additionally, the Company incurred marketing fees related to the Realogy agreement; and the Company increased its volume of direct mailing in the second half of 2006.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment includes the operations of ServiceMaster Clean and Merry Maids, as well as the Company's headquarters functions. Revenue in this segment increased to $196 million in 2006 compared with $177 million in 2005. The ServiceMaster Clean and Merry Maids franchise operations reported a combined growth in revenue of 12 percent, driven by continued strong increases in disaster restoration and solid internal revenue growth in residential maid service. The overall segment operating loss and Comparable Operating Performance for 2006 was ($47.9) million and ($20.5) million, respectively, compared with ($52.5) million and ($32.6) million in 2005, respectively. Included in the 2006 Comparable Operating Performance are restructuring charges totaling $21.6 million. The segment's operating loss and Comparable Operating Performance improved

despite the inclusion of the restructuring charges, primarily reflecting continued favorable trending of prior year insurance claims, lower overhead support costs and incentive compensation expense, and increased profits from the combined franchise operations, offset in part by the aforementioned restructuring charges.

Total initial and recurring franchise fees represented 3.6 percent and 3.4 percent of consolidated revenue from continuing operations in 2006 and 2005, respectively and direct franchise operating expenses were 2.3 percent and 2.1 percent of consolidated operating expenses in 2006 and 2005, respectively. Total franchise fee profits comprised 15.8 percent and 14.1 percent of consolidated operating income in 2006 and 2005, respectively. The portion of total franchise fee profits related to initial fees received from the sales of franchises was not material to the Company's consolidated financial statements for all periods.

Discontinued Operations

In the third quarter of 2006, the Company completed the sales of ARS and AMS generating gross cash proceeds of approximately $115 million, which was used to reduce outstanding debt balances. During the first quarter of 2006, the Company recorded a $25 million after-tax ($42 million pretax) impairment charge for expected losses on the disposition of certain ARS/AMS properties held pending sale. The Company recorded an after-tax net loss of ($0.5) million related to the sales of the ARS and AMS businesses in the third quarter of 2006.

In addition, operating income from discontinued operations in 2005 includes approximately $11 million related to the favorable conclusion of certain obligations related to international pest control businesses sold in prior years.

FINANCIAL POSITION AND LIQUIDITY FOR THE YEAR ENDED DECEMBER 31, 2007

As a result of the Merger, the 2007 cash flow results have been separately presented in the consolidated statements of cash flows for the Predecessor period, covering the period January 1, 2007 to July 24, 2007 and the Successor period, covering the period July 25, 2007 to December 31, 2007. The comparable period results for the prior year are presented under Predecessor.

Cash Flows from Operating Activities from Continuing Operations

Net cash provided from operating activities from continuing operations was $195.5 million in the period from January 1, 2007 to July 24, 2007 and $67.4 million in the period from July 25, 2007 to December 31, 2007, compared to $298.6 million in the prior year.

The principal components (in millions) of the net decrease for the combined periods for the year ended December 31, 2007 were:

Increase in net income before merger related charges, restructuring charges and non-cash charges	8.3
Increase in restructuring payments	(25.2)
Increase in working capital requirements	(18.8)
	(35.7)

The increase in net income before merger related charges, restructuring charges and non-cash charges for the combined periods for the year ended December 31, 2007 was driven by profit growth at Terminix, TruGreen LawnCare and American Home Shield offset by increased interest payments. The increase in working capital requirements for the combined periods for the year ended December 31, 2007 was driven primarily by increased tax assets reflecting the impact of future tax deductions related

to the Company's net operating loss carryforwards generated in 2007 offset by growth in interest accruals.

Cash Flows from Investing Activities from Continuing Operations

Net cash used for investing activities from continuing operations was $16.8 million in the period from January 1, 2007 to July 24, 2007 and $4,964.0 million in the period from July 25, 2007 to December 31, 2007. Net cash used for investing activities for the period from July 25, 2007 to December 31, 2007 included $4,906.5 million paid in connection with the Merger. Capital expenditures decreased for the combined periods for the year ended December 31, 2007 from the prior year, and included recurring capital needs and information technology projects. The Company anticipates that capital expenditures for the full year 2008 will total approximately $45 million to $55 million, reflecting the continuation of investments in information systems and productivity enhancing operating systems. In addition, as further discussed hereunder in "Liquidity", the Company expects to pay approximately $50 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time.

Acquisitions, excluding the Merger, for the combined periods for the year ended December 31, 2007 totaled $40.3 million, compared with $143.4 million in 2006. This decrease includes the 2006 acquisition of InStar, a direct provider of commercial disaster response and reconstruction services, for approximately $85 million of cash. Consideration paid for tuck-in acquisitions consisted of cash payments, seller financed Notes and, for 2006 only, Company stock. The Company expects to continue its tuck-in acquisition program at both Terminix and TruGreen LawnCare.

The change in notes receivable, financial investments and securities for the combined periods for the year ended December 31, 2007 includes an increase in the net sale of marketable securities at American Home Shield due in part to lowering the amount of excess reserves over minimum statutory reserve requirements in certain states in accordance with our investment policy and reduced statutory reserve requirements.

Cash Flows from Financing Activities from Continuing Operations

Net cash provided from financing activities from continuing operations increased by $4,945.3 million for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. Proceeds from debt incurred in connection with the Merger, net of issuance costs, aggregated $3,698.5 million and cash equity contributions received in connection with the Merger totaled $1,431.1 million for the combined periods for the year ended December 31, 2007. Cash dividends paid to shareholders totaled $70.1 million for the combined periods for the year ended December 31, 2007. On May 31, 2007, the Company paid its last dividend to shareholders prior to the Merger.

There were no share repurchases for the combined periods for the year ended December 31, 2007. As a result of the Merger, the Company's share repurchase program is no longer in effect.

Liquidity

Cash and short and long-term marketable securities totaled approximately $469.0 million at December 31, 2007, compared with approximately $420.9 million at December 31, 2006. Approximately $382.6 million of the cash and short and long-term marketable securities balance is associated with regulatory requirements at American Home Shield and for other purposes. For example, the payment of ordinary and extraordinary dividends to ServiceMaster by our subsidiaries that are regulated as insurance, home warranty, service contract or similar companies is subject to applicable state law limitations. AHS' investment portfolio has been invested in a combination of high quality, short duration fixed income securities and equities. The Company closely monitors the performance of the investments.

The Company has an arrangement enabling it to sell, on a revolving basis and without recourse, certain receivables generated by our TruGreen LawnCare and Terminix segments to unrelated third party purchasers. The Company may sell up to $70 million of its receivables to these purchasers in the future and therefore would have immediate access to cash proceeds from these sales. The amount of the eligible receivables varies during the year based on seasonality of the business. For example, the amount available generally is less than $70 million during winter and spring. During the year ended December 31, 2007, no receivables were sold to third parties under this agreement.

The Company maintains lease facilities with banks totaling $68 million, which provide for the financing of branch properties to be leased by the Company. At December 31, 2007, approximately $68 million was funded under these facilities. Approximately $15 million of these leases are treated as capital leases and have been included on the balance sheet as assets with related debt as of December 31, 2007. The balance of the funded amount is treated as operating leases. The Company has guaranteed the residual value of the properties under the leases up to 73 percent of the fair market value at the commencement of the lease. At December 31, 2007, the Company's residual value guarantee related to the leased assets totaled $53 million for which the Company has recorded the estimated fair value of this guarantee (approximately $0.1 million) in the Consolidated Statements of Financial Position. In connection with the closing of the Merger, the Company amended these leases effective July 24, 2007. Among the modifications, the Company extended the lease terms through July 24, 2010. The operating lease and capital lease classifications of these leases did not change as a result of the modifications.

The majority of the Company's vehicle fleet and some equipment are leased through operating leases. The lease terms are non-cancelable for the first twelve-month term, and then are month-to-month, cancelable at the Company's option. There are residual value guarantees by the Company (ranging from 70 percent to 87 percent of the estimated terminal value at the inception of the lease depending on the agreement) relative to these vehicles and equipment, which historically have not resulted in significant net payments to the lessors. At December 31, 2007, there was approximately $184 million of residual value relating to the Company's fleet and equipment leases. Approximately $67 million of this residual value is with a lessor that has exercised its option to terminate the lease effective August 2008. The cost of acquiring the assets subject to these leases is expected to amount to approximately $50 million. The fair value of the assets under all of the fleet and equipment leases is expected to substantially mitigate the Company's guarantee obligations under the agreements. At December 31, 2007, the Company has recorded the estimated fair value of this guarantee of approximately $2.4 million in the Consolidated Statements of Financial Position.

The Company's ongoing liquidity needs are expected to be funded by net cash provided by operating activities and, as required, borrowings under the Revolving Credit Facility. We expect that cash provided from operations and available borrowings under the Revolving Credit Facility will provide sufficient funds to operate our business, make expected capital expenditures and meet our foreseeable liquidity requirements, including payment of interest and principal on our debt.

As a holding company, we depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses, including our debt service obligations. The ability of our subsidiaries to make distributions and dividends to us depends on their operating results, cash requirements and financial condition and general business conditions. As previously described, certain of our subsidiaries are subject to legal and regulatory restrictions on the payment of dividends to us.

The following table presents the Company's contractual obligations and commitments as of December 31, 2007:

(In millions)	Total	Less than 1 Yr	1-3 Yrs	3-5 Yrs	More than 5 Yrs
Principal repayments*	$4,202.1	$ 51.7	$ 78.3	$ 60.6	$4,011.5
Capital leases	25.4	1.8	18.9	2.4	2.3
Estimated interest payments(1)	2,683.5	284.5	687.5	672.3	1,039.2
Non-cancelable operating leases	265.8	70.0	101.3	48.7	45.8
Purchase obligations:					
Telecommunications	12.9	12.1	0.8		
Supply agreements and other	39.8	29.0	6.5	1.8	2.5
Other long-term liabilities:*					
Insurance claims	196.0	84.8	50.4	15.2	45.6
Discontinued Operations	11.9	4.1	3.5	1.1	3.2
Other, primarily deferred compensation trust	43.1	4.6	4.6	3.9	30.0
Total Amount	$7,480.5	$ 542.6	$951.8	$806.0	$5,180.1

* These items are reported in the Consolidated Statements of Financial Position

(1) These amounts represent future interest payments related to the Company's existing debt obligations based on fixed and variable interest rates specified in the associated debt agreements. Payments related to variable debt are based on applicable rates at December 31, 2007 plus the specified margin in the associated debt agreements for each period presented. The amounts provided relate only to existing debt obligations and assumes the interim loan under the Interim Loan Facility is converted under the current terms in 2008 through maturity in 2015. The estimated debt balance (including capital leases) for each fiscal year from 2008 through 2012 is $4,174 million, $4,131 million, $4,077 million, $4,043 million, and $4,014 million, respectively. The weighted average interest rate (including interest rate swaps) on the estimated debt balances on each fiscal year end from 2008 through 2012 is expected to be 8.1%, 8.4%, 8.4%, 8.3%, and 8.3%, respectively. See Note 14 of the consolidated financial statements for the terms and maturities of existing debt obligations.

Not included in the table above are deferred income tax liabilities and the related interest payments on the Company's long-term debt. Deferred income tax liabilities totaled $1,080 million and are discussed in Note 6 of the consolidated financial statements. In addition, due to the uncertainty with respect to the timing of future cash flows associated with unrecognized tax benefits at December 31, 2007, the Company is unable to reasonably estimate the period of cash settlement with the respective taxing authority. Accordingly, $13.3 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See the discussion of income taxes in the Note 6 of the consolidated financial statements.

Financial Position Continuing Operations

The Company has accounted for the Merger in accordance with Statement of Financial Accounting Standards No. 141, "Business Combinations", which requires the cost of the Merger to be allocated to the assets and liabilities of the Company based on fair value. Consequently, goodwill, other intangible assets, deferred customer acquisition costs, property and equipment, deferred revenue and other balances changed significantly from the December 31, 2006 balances.

Receivables decreased from prior year levels reflecting the collection of certain non-operating receivables during 2007.

Inventories increased from year-end levels, reflecting general business growth.

Deferred customer acquisition costs decreased from prior year levels as a result of recording these costs at their fair value in connection with applying purchase accounting related to the Merger.

There is seasonality in the lawn care operations. In the winter and spring, this business sells a series of lawn applications to customers, which are rendered primarily in March through October. On an ongoing basis, these direct and incremental selling expenses which relate to successful sales will be deferred and recognized over the production season and are not deferred beyond the calendar year-end. In addition, the Company will continue to capitalize sales commissions and other direct contract acquisition costs relating to termite baiting and pest contracts, as well as home warranty agreements. These costs vary with and are directly related to a new sale, and will be amortized over the life of the related contract.

Property and equipment increased from prior year levels, reflecting the purchase accounting impacts of recording the assets at their fair value. As further discussed hereunder in "Liquidity", the Company expects to pay approximately $50 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time.

The increase in goodwill and intangible assets from year-end resulted from the application of purchase accounting related to the Merger. Debt issue costs increased as a result of the debt incurred related to the Transactions.

Accrued payroll and related expenses include employee retention and severance accruals related to the Company's corporate headquarters consolidation plan, as well as provisions for payments due under change in control and severance agreements as well as increased provisions for litigation reserves. Deferred revenue decreased from year-end levels as a result of recording these amounts at fair value in connection with purchase accounting.

On June 4, 2007, the Company converted the minority equity interest of the minority investor in Terminix into eight million shares of ServiceMaster common stock. Total shareholders' equity was $1,303.5 million at December 31, 2007.

Under Federal tax rules, dividends are considered taxable only when paid out of current or accumulated earnings and profits as defined under federal tax laws. The Company currently expects that none of the Predecessor dividends in 2007 will be taxable as dividend income for federal income tax purposes. Any portion of the dividend that is not taxable as dividend income would be treated as a return of capital and would generally be applied to reduce the cost basis of outstanding shares. The 2007 estimate is subject to change, based on the outcome of future events.

On November 20, 2007, the board of directors of Holdings adopted the ServiceMaster Global Holdings, Inc. Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan provides for the sale of shares of Holdings stock to our executive officers, other key employees and directors as well as the grant of deferred share units and options to purchase shares of Holdings to those individuals. On December 19, 2007, Holdings completed an equity offering to certain of our executive officers and key employees pursuant to the Stock Incentive Plan. The shares sold and options granted to our employees in connection with this equity offering are subject to and governed by the terms of the Stock Incentive Plan. In connection with this offering, Holdings sold 1,416,870 shares of common stock at a purchase price of $10.00 per share and sold 576,668 deferred share units ("DSUs") at a purchase price of $10.00 per DSU. DSUs represent a right to receive a share of common stock in the future. Holdings also granted options to purchase 3,937,076 additional shares of common stock at an exercise price of $10.00 per share in connection with this equity offering. In addition, Holdings granted our executive officers and key employees options to acquire an additional 5,332,125 shares of Holdings common stock at $10.00 per share. These options are subject to and governed by the terms of the Stock Incentive Plan. For further discussion see Note 19 of the consolidated financial statements.

Financial Position Discontinued Operations

The assets and liabilities related to businesses held pending sale and discontinued businesses have been classified in a separate caption on the Consolidated Statements of Financial Position. Assets from the businesses held pending sale have decreased reflecting decreases in receivables at the InStar business. The assets held for sale balance at December 31, 2007 includes approximately $42.0 million of InStar receivables (including approximately $14.4 million of work-in-process that has not yet been billed). InStar's receivables include hurricane disaster recovery work performed in New Orleans, southern Florida and other hurricane-affected areas in late 2005 and 2006. The assets held for sale included an allowance for doubtful accounts at December 31, 2007 of approximately $8.8 million related to InStar's accounts receivable. Such allowance reflects management's best estimate of the amounts that will not be collected. If the estimated amounts recoverable on the projects change from the amounts currently recorded, these differences will be recognized as income or loss when the change in estimate is made. Such changes, if any, would not currently be expected to be material to the Company's consolidated financial statements.

As part of the ARS and AMS sale agreements, the Company guaranteed obligations to third parties with respect to bonds (primarily performance and license type), operating leases for which the Company has been released as being the primary obligor, real estate leased and operated by the buyers, and other guarantees of payment. At the present time, the Company does not believe it is probable that the buyers will default on their obligations subject to guarantee. The fair value of the Company's obligations related to these guarantees is not significant and no liability has been recorded.

Quantitative and Qualitative Disclosures about Market Risk as of December 31, 2007

The economy and its impact on discretionary consumer spending, labor wages, fuel prices, fertilizer and other material costs, home re-sales, unemployment rates, insurance costs and medical inflation rates could have a material adverse impact on future results of operations.

The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company has entered into specific financial arrangements, primarily interest rate swaps and fuel hedges, in the normal course of business to manage certain market risks, with a policy of matching positions and limiting the terms of contracts to relatively short durations. The effect of derivative financial instrument transactions could have a material impact on the Company's financial statements.

In August 2007, the Company entered into three, 3-year interest rate swap agreements, effective September 4, 2007. The total notional amount of the agreements was $530 million. Under terms of the these agreements, the Company pays a weighted average fixed rate of 5.05% on the $530 million notional amount and the Company will receive a floating rate of interest (based on one month LIBOR) on the notional amount. Therefore, the effective interest rate for $530 million of the Company's floating rate debt is fixed at approximately 7.80%, including the borrowing margin of 2.75%. In accordance with FAS 133, "Accounting for Derivative Instruments and Hedging Activities", the Company's interest rate swap agreements are classified as cash flow hedges and, as such, the hedging instruments are recorded on the balance sheet as either as asset or liability at fair value, with the effective portion of the changes in fair value attributable to the hedged risks recorded in other comprehensive income.

The Company believes its exposure to interest rate fluctuations, when viewed on both a gross and net basis, is material to its overall results of operations. A significant portion of outstanding debt, including debt under the Credit Facilities, bears interest at variable rates. As a result, increases in interest rates, whether because of an increase in market interest rates or a decrease in our creditworthiness, would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. Each one percentage point change in interest rates would result in an

approximately $21 million change in the annual interest expense on our Term Loan Facilities after considering the impact of the interest rate swaps into which we had entered as of December 31, 2007. Assuming all revolving loans were fully drawn, each one percentage point change in interest rates would result in a $5 million change in annual interest expense on our Revolving Credit Facility. We are also exposed to increases in interest rates in respect of our floating rate leases, and a one percentage point change in interest rates would result in an approximately $3 million change in annual rent expense in respect of such leases. The impact of increases in interest rates could be more significant for us than it would be for some other companies because of our substantial debt and floating rate operating leases.

The following table summarizes information about the Company's debt as of December 31, 2007 (after considering the effect of the interest rate swap agreements), including the principal cash payments and related weighted-average interest rates by expected maturity dates.

	Expected Year of Maturity							Fair
As of December 31, 2007	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**	**Value**
	($ in millions)							
Debt:								
Fixed rate	$ 27	$ 17	$ 13	$ 7	$ 3	$ 889	$ 956	$ 839
Average interest rate	5.4%	4.8%	5.2%	5.1%	6.1%	7.6%	7.4%	
Variable rate	$ 27	$ 27	$ 41	$ 27	$ 27	$ 3,123	$3,272	$3,083
Average interest rate	7.4%	7.4%	7.4%	7.4%	7.4%	8.6%	8.0%	
Interest Rate Swaps:								
Receive variable/pay fixed			$530					
Average pay rate			5.1%					
Average receive rate			4.6%					

Quantitative and Qualitative Disclosures about Market Risk as of June 30, 2008

Interest Rate Risk

The Company is exposed to the impact of interest rate changes and manages this exposure through the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps. The Company does not enter into contracts for trading or speculative purposes.

In February 2008, the Company entered into two 3-year interest rate swap agreements and one 4-year interest rate swap agreement, effective March 3, 2008. The total notional amount of the 3-year agreements was $250 million and the total notional amount of the 4-year swap agreement was $250 million. Under the terms of the agreements, the Company will pay a weighted average fixed rate of interest of approximately 3.15% on the notional amount of the 3-year swap agreements and 3.48% on the notional amount of the 4-year swap agreement. The Company will receive a floating rate of interest (based on three month LIBOR) on the notional amount. Therefore, the effective interest rate for $500 million of the term loans is fixed at a rate between 5.90% and 6.23%, including the borrowing margin described in Note 14 to the consolidated financial statements in the 2007 Annual Report. In accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", these interest rate swap agreements are classified as cash flow hedges and, as such, the hedging instruments are recorded on the balance sheet as either an asset or liability at fair value, with the effective portion of the changes in fair value attributable to the hedged risks recorded in other comprehensive income.

The Interim Loan Facility matured on July 24, 2008. On the maturity date, outstanding amounts under the Interim Loan Facility were converted on a one to one basis into the 10.75%/11.50% senior toggle Notes due 2015 (the "Notes") that are the subject of this registration statement. The Notes were issued pursuant to a refinancing indenture. In connection with the issuance of the Notes, ServiceMaster

entered into a registration rights agreement, pursuant to which ServiceMaster became obligated to file with the SEC the registration statement of which this prospectus is a part.

The following table summarizes information about the Company's debt as of June 30, 2008 (after considering the effect of the interest rate swap agreements), including the principal cash payments and related weighted-average interest rates by expected maturity dates.

	Expected Year of Maturity							Fair
As of June 30, 2008	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**	**Value**
	($ in millions)							
Debt:								
Fixed rate	$ 8	18	13	7	3	1,390	1,439	1,296
Average interest rate	5.5%	5.8%	6.2%	6.3%	7.0%	7.1%	7.0%	
Variable rate	$ 13	27	39	27	27	2,623	2,756	2,267
Average interest rate	5.2%	5.2%	5.3%	5.2%	5.2%	7.6%	7.5%	
Interest Rate Swaps:								
Receive variable/pay fixed			$530	$250	$250			
Average pay rate			5.1%	3.2%	3.5%			
Average receive rate			2.5%	2.8%	2.8%			

Fuel Price Risk

The Company is exposed to market risk for changes in fuel prices through the consumption of fuel by its vehicle fleet in the delivery of services to its customers. The Company uses approximately 30 million gallons of fuel on an annual basis. A 10% change in fuel prices would result in a change of approximately $12 million in the Company's annual fuel cost before considering the impact of fuel swap contracts.

The Company uses fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices. As of June 30, 2008, the Company had fuel swap contracts to pay fixed prices for fuel with an aggregate notional amount of $41.4 million, maturing through 2009. The estimated fair value of these contracts at June 30, 2008 was an asset of $10.9 million, substantially all of which relates to contracts maturing in 2008. These fuel swap contracts provide a fixed price for approximately 66% of the Company's estimated fuel usage for the second half of 2008.

BUSINESS

The ServiceMaster Company ("ServiceMaster" or the "Company") is a national company serving both residential and commercial customers. Its services include lawn care, landscape maintenance, termite and pest control, home warranty, cleaning and disaster restoration, house cleaning, furniture repair, and home inspection. As of September 30, 2008, ServiceMaster provided these services through a network of approximately 5,500 company-owned locations and franchise licenses operating under the following leading brands: TruGreen, TruGreen LandCare, Terminix, American Home Shield, Merry Maids, ServiceMaster Clean, Furniture Medic and AmeriSpec. Approximately 98% of ServiceMaster's revenues are generated by sales in the United States. Incorporated in Delaware in 1991, ServiceMaster is the successor to various entities dating back to 1947.

ServiceMaster is organized into five principal operating segments: TruGreen LawnCare; TruGreen LandCare; Terminix; American Home Shield; and Other Operations and Headquarters. All ServiceMaster subsidiaries are wholly owned. The financial information for each operating segment for 2007, 2006 and 2005 is contained in the financial statements beginning on page F-1 of this prospectus.

Merger Transaction

On March 18, 2007, ServiceMaster entered into an Agreement and Plan of Merger (the "Merger Agreement") with ServiceMaster Global Holdings, Inc. (formerly CDRSVM Topco, Inc.) ("Holdings") and CDRSVM Acquisition Co., Inc., an indirect wholly owned subsidiary of Holdings ("Acquisition Co."). The Merger Agreement provided that, upon the terms and subject to the conditions set forth in the Merger Agreement, Acquisition Co. would merge with and into ServiceMaster, with ServiceMaster as the surviving corporation (the "Merger").

On July 24, 2007 (the "Closing Date"), the Merger was completed, and each issued and outstanding share of ServiceMaster common stock, other than shares held by ServiceMaster or Holdings or their subsidiaries and shares held by stockholders who validly perfected their appraisal rights under Delaware law, was converted into the right to receive $15.625 in cash (the "Merger Consideration"). Each share of ServiceMaster common stock owned by ServiceMaster, Holdings or Acquisition Co. or any of their respective direct or indirect wholly-owned subsidiaries was cancelled and retired, and no consideration was paid in exchange for it.

Immediately following the completion of the Merger, all of the outstanding capital stock of Holdings, the ultimate parent company of ServiceMaster, was owned by investment funds sponsored by, or affiliates with, Clayton, Dubilier & Rice, Inc ("CD&R"), Citigroup Private Equity L.P., BAS Capital Funding Corporation and J.P. Morgan Ventures Corporation. (collectively, the "Equity Sponsors").

Services

The following table shows the percentage of ServiceMaster's consolidated revenue from continuing operations derived from each of ServiceMaster's reportable segments in the years indicated:

Segment	2007	2006	2005
TruGreen LawnCare	33%	32%	32%
TruGreen LandCare	12%	13%	14%
Terminix	33%	32%	33%
American Home Shield	16%	17%	16%
Other Operations and Headquarters	6%	6%	5%

TruGreen LawnCare Segment

The TruGreen LawnCare segment provides lawn care services primarily under the TruGreen brand name. Revenues derived from the TruGreen LawnCare segment constituted 33%, 32% and 32% of the revenue from continuing operations of the consolidated ServiceMaster enterprise in 2007, 2006 and 2005, respectively. The TruGreen LawnCare business is seasonal in nature. Weather conditions such as a drought, or snow in the late spring or fall, can affect the demand for lawn care services and may result in a decrease in revenues or an increase in costs.

TruGreen LawnCare is a leading provider of lawn, tree and shrub care services in the United States, serving both residential and commercial customers. As of June 30, 2008, TruGreen LawnCare provided these services in 43 states and the District of Columbia through approximately 206 company-owned locations and 54 franchised locations. As of December 31, 2007, TruGreen LawnCare also provided lawn care services through a subsidiary in Canada and had licensing arrangements with licensees who provided these services in Japan and the United Kingdom.

TruGreen LandCare Segment

The TruGreen LandCare segment provides landscape maintenance services primarily under the TruGreen LandCare brand name. Revenues derived from the TruGreen LandCare segment constituted 12%, 13% and 14% of the revenue from continuing operations of the consolidated ServiceMaster enterprise in 2007, 2006 and 2005, respectively. The TruGreen LandCare business is seasonal in nature. Weather conditions such as a drought can affect the demand for landscape maintenance services, or declines in the volume of snow fall can affect the level of snow removal services, and may result in a decrease in revenues or an increase in costs.

TruGreen LandCare is a leading provider of landscape maintenance services in the United States, serving primarily commercial customers. As of June 30, 2008, TruGreen LandCare provided these services in 41 states and the District of Columbia through approximately 69 company-owned locations and had no international operations. TruGreen LandCare also operates a nursery in California.

Terminix Segment

The Terminix segment provides termite and pest control services primarily under the Terminix brand name. Revenues derived from the Terminix segment constituted 33%, 32% and 33% of the revenue from continuing operations of the consolidated ServiceMaster enterprise in 2007, 2006 and 2005, respectively. The Terminix business is seasonal in nature. The termite swarm season, which generally occurs in early spring but varies by region depending on climate, leads to the highest demand for termite control services and, therefore, the highest level of revenues. Similarly, increased pest activity in the warmer months leads to the highest demand for pest control services and, therefore, the highest level of revenues.

Terminix is a leading provider of termite and pest control services in the United States, serving both residential and commercial customers. As of June 30, 2008, Terminix provided these services in 46 states and the District of Columbia through approximately 388 company-owned locations and 128 franchised locations. As of June 30, 2008, Terminix also provided termite and pest control services through three subsidiaries in Mexico and had licensing arrangements whereby licensees provided these services in 13 other countries, primarily in Japan, the Caribbean and the Middle East.

American Home Shield Segment

The American Home Shield segment provides home warranty contracts for systems and appliances primarily under the American Home Shield brand name. Revenues derived from the American Home

Shield segment constituted 16%, 17% and 16% of the revenue from continuing operations of the consolidated ServiceMaster enterprise in 2007, 2006 and 2005, respectively.

American Home Shield is a leading provider of home warranty contracts for systems and appliances in the United States. It provides residential customers with contracts to repair or replace electrical, plumbing, central heating and central air conditioning systems, hot water heaters and other covered appliances that break down due to normal wear and tear and services those contracts through independent repair contractors. As of June 30, 2008, American Home Shield issued and administered home warranty contracts in 49 states and the District of Columbia and had no international operations.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment provides residential and commercial disaster restoration and cleaning services primarily under the ServiceMaster and ServiceMaster Clean brand names, home cleaning services primarily under the Merry Maids brand name, on-site furniture repair and restoration services primarily under the Furniture Medic brand name and home inspection services primarily under the AmeriSpec brand name. The Other Operations segment also includes ServiceMaster's headquarters functions. Revenues derived from the Other Operations and Headquarters segment constituted 6%, 6% and 5% of the revenue from continuing operations of the consolidated ServiceMaster enterprise in 2007, 2006 and 2005, respectively.

ServiceMaster Clean. ServiceMaster Clean is a leading franchisor in the residential and commercial disaster restoration and cleaning field in the United States. As of June 30, 2008, ServiceMaster Clean provided these services in all 50 states and the District of Columbia through approximately 3,000 franchised locations. As of June 30, 2008, ServiceMaster Clean, through subsidiaries, also provided disaster restoration and cleaning services in Canada, Ireland, the United Kingdom and Spain and had entered into licensing arrangements to provide these services in six other countries: Honduras, India, Lebanon, Saudi Arabia, Japan, Malaysia and the Philippines.

Merry Maids. Merry Maids is a leading provider of home cleaning services in the United States. As of June 30, 2008, these services were provided in 48 states and the District of Columbia through approximately 77 company-owned locations and 450 franchised locations. As of June 30, 2008, Merry Maids, through subsidiaries, also provided home cleaning services, in Canada, Denmark, Ireland and the United Kingdom and had entered into licensing arrangements to provide these services in five other countries: Hong Kong, Japan, Korea, Malaysia, and the Philippines.

Furniture Medic. Furniture Medic is a leading provider of on-site furniture repair and restoration services in the United States serving residential customers. As of June 30, 2008, Furniture Medic provided these services in 49 states and the District of Columbia through approximately 275 franchised locations. As of June 30, 2008, Furniture Medic also provided on-site furniture repair and restoration services through subsidiaries in Canada and the United Kingdom and had entered into licensing arrangements to provide these services in France and Saudi Arabia.

AmeriSpec. AmeriSpec is a leading provider of home inspection services in the United States serving residential customers. As of June 30, 2008, AmeriSpec provided these services in 46 states and the District of Columbia through approximately 288 franchised locations. AmeriSpec also provided home inspection services through a subsidiary in Canada.

Marketing and Distribution

ServiceMaster markets its services primarily through yellow pages advertisements, direct mail, the internet, television and radio advertising, print advertisements, door-to-door solicitation and telemarketing. Additionally, American Home Shield markets its home service contracts through real

estate brokerage offices in conjunction with the resale of single-family residences and through financial institutions and insurance agencies.

Headquarter Functions

The Business Support Center, headquartered in Memphis, Tennessee, administers payroll, benefits, risk management, travel and certain procurement services for ServiceMaster's internal operations. Various administrative support departments also provide personnel, communications, marketing, government and public relations, administrative, accounting, financial, tax, human resources, information technology and legal services.

Service Marks, Trademarks and Trade Names

ServiceMaster holds various service marks, trademarks and trade names, such as ServiceMaster, Terminix, TruGreen, TruGreen LandCare, Merry Maids, ServiceMaster Clean, American Home Shield, AmeriSpec and Furniture Medic, that it deems particularly important to the advertising and franchising activities conducted by each of its operating segments. As of September 30, 2008, ServiceMaster's marks were registered in the United States and 118 other countries.

Franchises

Franchises are important to the TruGreen LawnCare, Terminix, ServiceMaster Clean, Merry Maids, AmeriSpec and Furniture Medic businesses. Total franchise fees (initial and recurring) represented 3.7%, 3.6% and 3.4% of consolidated revenue from continuing operations in 2007, 2006 and 2005, respectively. Related franchise operating expenses were 2.2%, 2.3% and 2.1% of consolidated operating expenses in 2007, 2006 and 2005, respectively. Total franchise related profits comprised 31.7%, 15.8% and 14.1% of consolidated operating income in 2007, 2006 and 2005, respectively. Franchise agreements entered into in the course of these businesses are generally for a term of five to ten years. The majority of these franchise agreements are renewed prior to expiration. The majority of international licenses are for ten year terms.

Competition

ServiceMaster competes with many other companies in the sale of its services, franchises and products. The principal methods of competition in ServiceMaster's businesses include quality and speed of service, name recognition and reputation, pricing and promotions, customer satisfaction, brand awareness, professional sales forces, and reputation/referrals. Competition in all of the Company's markets is strong.

Lawn Care Services. Competition in the market for lawn care services comes mainly from local, independently owned firms and from homeowners who care for their own lawns. Competition also comes from Scotts, which continues to expand towards a more national footprint.

Landscape Maintenance Services. Competition in the market for commercial landscape maintenance services comes mainly from small, owner-operated companies operating in a limited geographic market and, to a lesser degree, from a few large companies (notably, The Brickman Group and The Valley Crest Companies) operating in multiple markets, and from property owners who perform their own landscaping services.

Termite and Pest Control Services. Competition in the market for termite and pest control services comes mainly from regional and local, independently owned firms, from homeowners who treat their own termite and pest control problems, and from Orkin, a subsidiary of Rollins, which operates on a national basis. Ecolab Inc. competes nationally in the commercial pest control segment.

Home Warranty Contracts for Systems and Appliances. Competition in the market for home warranty contracts for systems and appliances comes mainly from regional providers of home warranties.

Home Inspection Services. Competition in the market for home inspection services comes mainly from regional and local, independently owned firms.

Residential & Commercial Disaster Restoration and Cleaning Services. Competition in the market for disaster restoration and cleaning services comes mainly from local, independently owned firms and a few national professional cleaning companies such as ServPro, Paul Davis, Befor and BMS Cat.

Home Cleaning Services. Competition in the market for home cleaning services comes mainly from local, independent contractors and a few national companies such as The Maids, Molly Maids and The Cleaning Authority.

Furniture Repair Services. Competition in the market for furniture repair services comes mainly from local, independent contractors.

Major Customers

ServiceMaster has no single customer that accounts for more than 10% of its consolidated operating revenue. Additionally, no operating segment has a single customer that accounts for more than 10% of its operating revenue. None of ServiceMaster's operating segments is dependent on a single customer or a few customers, the loss of which would have a material adverse effect on the segment.

Regulatory Compliance

Government Regulations

ServiceMaster's operating segments are subject to various federal, state and local laws and regulations, compliance with which increases ServiceMaster's operating costs, limits or restricts the services provided by ServiceMaster's operating segments or the methods by which ServiceMaster's operating segments sell those services or conduct their respective businesses, or subjects ServiceMaster and its operating segments to the possibility of regulatory actions or proceedings. Noncompliance with these laws and regulations can subject ServiceMaster to fines or various forms of civil or criminal prosecution, any of which could have an adverse effect on its reputation and financial condition, results of operations and cash flows.

These federal and state laws include laws relating to consumer protection, wage and hour regulations, deceptive trade practices, permit and license requirements, Real Estate Settlement Procedures Act, workers' safety (e.g., the Occupational Safety and Health Act), environmental regulations (e.g., the Clean Air Act) and employee benefits (e.g., the Consolidated Omnibus Budget Reconciliation Act of 1985 and the Employee Retirement Income Security Act of 1974). The TruGreen LawnCare, TruGreen LandCare and Terminix businesses must also meet the Department of Transportation and Federal Motor Carrier Safety Administration requirements with respect to their fleets of vehicles. American Home Shield is regulated by the Department of Insurance in certain states and the Real Estate Commission in Texas. TruGreen and Terminix are regulated by various state and local laws and regulations which are enforced by state Departments of Agriculture, Pest Control Boards, Departments of Environmental Conservation and similar government entities. AmeriSpec is regulated by various state and local home inspection laws and regulations.

Consumer Protection and Telemarketing Matters

ServiceMaster is subject to federal and state laws and regulations designed to protect consumers, including laws governing consumer privacy and fraud, the collection and use of consumer data, telemarketing and other forms of solicitation.

The telemarketing rules adopted by the Federal Communications Commission pursuant to the Federal Telephone Consumer Protection Act and the Federal Telemarketing Sales Rule issued by the Federal Trade Commission govern ServiceMaster's telephone sales practices. In addition, many states have adopted statutes and regulations targeted at direct telephone sales activities. The implementation of Do-Not-Call lists requires TruGreen LawnCare, and, to a lesser extent, ServiceMaster's other operating segments, to rely more extensively on other marketing methods and channels.

Franchise Matters

TruGreen LawnCare, Terminix, ServiceMaster Clean, Merry Maids, AmeriSpec and Furniture Medic are subject to various federal, state and international laws and regulations governing franchise sales and marketing and franchise trade practices generally, including applicable rules and regulations of the Federal Trade Commission. These laws and regulations generally require disclosure of business information in connection with the sale of franchises. Certain state regulations also affect the ability of the franchisor to revoke or refuse to renew a franchise. ServiceMaster seeks to comply with regulatory requirements and deal with franchisees in good faith. From time to time, ServiceMaster and one or more franchisees may become involved in a dispute regarding the franchise relationship, including, among other things, payment of royalties or fees, location of branches, advertising, purchase of products by franchisees, compliance with ServiceMaster standards and franchise renewal criteria. There can be no assurance that compliance problems will not be encountered from time to time or that material disputes with one or more franchisees will not arise.

Environmental Matters

ServiceMaster's businesses are subject to various federal, state and local laws and regulations regarding environmental matters. Terminix, TruGreen LawnCare and TruGreen LandCare are regulated under many federal and state environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Federal Environmental Pesticide Control Act of 1972, the Federal Insecticide, Fungicide and Rodenticide Act of 1947, the Resource Conservation and Recovery Act of 1976, the Clean Air Act, the Emergency Planning and Community Right-to-Know Act of 1986, the Oil Pollution Act of 1990 and the Clean Water Act of 1977. ServiceMaster cannot predict the effect on its operations of possible future environmental legislation or regulations. During 2007, there were no material capital expenditures for environmental control facilities.

Insurance

We maintain insurance coverage that we believe is appropriate for our business, including workers' compensation, auto liability, general liability, umbrella and property insurance. In addition, we provide various insurance coverages, including deductible reimbursement policies, to our business units through our wholly-owned captive insurance company, which is domiciled in Vermont.

Employees

On September 30, 2008, ServiceMaster had approximately 31,000 employees.

Properties

The headquarters for TruGreen LawnCare, TruGreen LandCare and Terminix, along with the corporate headquarters, are located in leased premises at 860 Ridge Lake Boulevard, Memphis, Tennessee. The headquarters for American Home Shield are located in leased premises at 889 Ridge Lake Boulevard, Memphis, Tennessee. The headquarters for ServiceMaster Clean, Merry Maids, AmeriSpec and Furniture Medic and a training facility are located in leased premises at 3839 Forest Hill Irene Road, Memphis, Tennessee. In addition, ServiceMaster leases space for a call center located at 6399 Shelby View Drive, Memphis, Tennessee; offices located at 850 and 855 Ridge Lake Boulevard, Memphis, Tennessee; a training facility located at 1650 Shelby Oaks Drive North, Memphis, Tennessee; and a warehouse located at 1575 Two Place, Memphis, Tennessee. ServiceMaster believes that the headquarters, call center facility, offices, training facilities and warehouse located in Memphis are suitable and adequate to support the current needs of its operating companies and corporate headquarters in the Memphis area.

ServiceMaster's operating companies own and lease a variety of facilities principally in the United States for branch and service center operations and for office, storage, call center and data processing space. The following chart identifies the number of owned and leased facilities for each operating company, as of September 30, 2008. ServiceMaster believes that these facilities, when considered with the headquarters, call center facility, offices, training facilities and warehouses described above, are suitable and adequate to support the current needs of its business.

Operating Company	Owned Facilities	Leased Facilities
TruGreen LawnCare	4	316
TruGreen LandCare	2	137
Terminix	12	479
American Home Shield	1	6
ServiceMaster Clean	0	11
Merry Maids	0	77

Legal Proceedings

Class Action suits brought against the Company and CD&R

Following the announcement of the proposed acquisition of ServiceMaster by CD&R, five (5) complaints were filed against ServiceMaster concerning the proposed merger: *Kaiman v. Spainhour, et al.* (filed in Chancery Court in Memphis, Tennessee) ("*Kaiman*"); *Golombuski v. The ServiceMaster Co., et al.* (filed in Circuit Court in Memphis, Tennessee) ("*Golombuski*"); *Sokol and Bowen v. The ServiceMaster Co., et al.* (filed in Circuit Court in Memphis, Tennessee) ("*Sokol*"); *Palmer v. The ServiceMaster Co., et al.* (filed in Cook County Circuit Court in Chicago, Illinois) ("*Palmer*"); and *Smith v. The ServiceMaster Co., et al.* (filed in Chancery Court for Newcastle County, Delaware) ("*Smith*").

All of the complaints name ServiceMaster, its Chief Executive Officer and its Board of Directors as defendants. The *Kaiman*, *Golombuski* and *Smith* complaints additionally name CD&R as a defendant and the *Smith* complaint also names the investors in CDRSVM Topco, Inc., CDRSVM Topco, Inc. and CDRSVM Acquisition Co. All of the complaints allege breach of fiduciary duties and seek injunctive relief. The *Kaiman* complaint also contains a specific count seeking indemnification of costs. The *Golombuski* and *Smith* complaints also allege that CD&R aided and abetted the individual defendants' breach of fiduciary duties, while the *Kaiman* complaint generally alleges that "defendants" breached their fiduciary duties or aided and abetted a breach of fiduciary duty. The *Smith* complaint also alleges that there are material omissions in the preliminary proxy statement relating to the

proposed acquisition that the Company filed with the SEC on April 16, 2007. All five of the complaints challenged and indicated an intent to enjoin the proposed acquisition of ServiceMaster.

After the plaintiff in the *Smith* case filed a motion for expedited discovery and for the scheduling of a preliminary injunction hearing, the parties to the *Smith* case reached an agreement in principle to settle that case on a class wide basis and entered into a Memorandum of Understanding reflecting that agreement. The Memorandum of Understanding provides, among other things, for ServiceMaster to include certain additional disclosures in the final Proxy Statement with respect to the proposed merger (subsequently made) and for a reduction of the Company termination fee from $100 million to $90.8 million (subsequently made). The Memorandum of Understanding stated that if the settlement contemplated by the Memorandum of Understanding is approved, plaintiff and his counsel intend to petition the court for an award of fees and expenses. It further stated that the parties reached no agreement with regard to an appropriate award of fees to plaintiffs' counsel, and defendants reserved all rights to oppose any fee application. Confirmatory discovery has been completed and, on July 21, 2008, the Stipulation of Settlement was filed with the Court. On September 29, 2008, the Court approved the settlement and awarded plaintiffs $500,000 in plaintiffs' attorneys' fees. The judgment should be final and non-appealable by the end of October 2008.

Notwithstanding the settlement agreement reached in the *Smith* case, the plaintiffs in the other four pending actions nonetheless attempted to pursue those actions. The *Kaiman*, *Golombuski* and *Sokol* complaints were consolidated, and the Tennessee court handling those cases entered an order denying the plaintiffs' motion for expedited discovery and granting a stay of these actions pending the resolution of the *Smith* case in Delaware. In light of the resolution of the *Smith* case, we expect that these cases will now be dismissed.

Notwithstanding the settlement, the Company believes the various remaining litigation to be without merit and, if the settlement is not fully consummated for any reason, intends to defend them vigorously.

Colorado Department of Agriculture Notice of Disciplinary Proceedings to Terminix

On or about September 2, 2004, two Terminix branches in Colorado, Colorado Springs and Pueblo, received subpoenas duces tecum from the Colorado Department of Agriculture requesting various information for all Sentricon customers of those branches. Those Terminix branches produced documents to the Colorado Department of Agriculture in response to those subpoenas. In 2007, the Colorado Department of Agriculture conducted announced inspections of several Terminix branches in Colorado. On February 5, 2008, the Colorado Department of Agriculture issued Notices of Disciplinary Proceedings relating to the Colorado Springs, Colorado, and Pueblo, Colorado, Terminix branches, which included approximately 270 alleged violations of various sections of the Colorado Pesticide Applicators' Act, including failure to properly inspect monitoring devices pursuant to the label requirements, failure to install auxiliary stations and follow self-recruitment procedures, and failure to replace monitoring devices and/or bait in those stations. The maximum financial penalty for each individual violation could be $1,000 and additional penalties could include the suspension or revocation of the license for Terminix in the state of Colorado. Terminix served its response to the Colorado Department of Agriculture on March 25, 2008. The parties are in settlement negotiations regarding a proposed consent order.

Squires v. The ServiceMaster Company and Clayton, Dubilier & Rice, Inc.

On March 11, 2008, a lawsuit was filed by Vernon Squires, on behalf of himself and a putative class, against the Company and CD&R, in the Chancery Court of Shelby County, Tennessee. The Complaint alleges that, in connection with the acquisition of the Company by CD&R, the defendants improperly cancelled out-of-the-money stock options that had been previously granted to individuals in

connection with certain stock option plans. The Complaint asserts causes of action against the Company for breach of contract and breach of the duty of good faith and fair dealing, conversion, and for a declaratory judgment, and asserts additional claims against CD&R. The Complaint seeks compensatory damages, attorneys' fees and costs, as well as pre-judgment and post-judgment interest against the Company. No specific monetary demand has been asserted. The Company has filed a motion to dismiss the *Squires* litigation. A hearing on that motion has been set for December 12, 2008, and a hearing on the motion for class certification has been set for July 14, 2009.

In the ordinary course of conducting our business activities, we become involved in other judicial, administrative and regulatory proceedings involving both private parties and governmental authorities. These proceedings include general and commercial liability actions and a small number of environmental proceedings. We do not expect any of these proceedings to have a material effect on our business, financial condition, or results of operations.

Wisconsin Department of Agriculture

On April 22, 2008, TruGreen LawnCare met with the Wisconsin Department of Agriculture to propose a remediation plan regarding soil contamination allegedly caused by spills of fertilizer from its trucks and tanks. Following its preliminary approval of the remediation plan, the State is now requiring a higher remediation standard. TruGreen LawnCare is working with its environmental consultants to develop a final plan to meet the Wisconsin Department of Agriculture's requirements.

United States Environmental Protection Agency

On April 11, 2006, Terminix received a letter from the United States Environmental Protection Agency, Region 4, demanding reimbursement under CERCLA with respect to the Vertut Packaging and Blending Superfund Site located in Memphis, Tennessee. Vertut was a former blender and repackager of herbicides, pesticides, and wood treating chemicals. USEPA asserted that Terminix could be liable as a generator of hazardous wastes at the site. There is currently no litigation pending with respect to this location. Terminix is in negotiations with the Environmental Protection Agency to attempt to resolve this matter.

MANAGEMENT

The Board of Directors is responsible for reviewing the qualifications of nominees for membership on the Board. Consideration of Board candidates typically involves a series of internal discussions and review of information concerning candidates.

The Board does not have an audit committee or an audit committee financial expert.

Directors

Name	Age	Principal Occupation	Director Since
Kenneth A. Giuriceo	35	Principal, Clayton, Dubilier & Rice, Inc.	2007
David H. Wasserman	41	Principal, Clayton, Dubilier & Rice, Inc.	2007

Mr. Giuriceo joined CD&R in 2003. Prior to joining CD&R, Mr. Giuriceo worked in the principal investment area of Goldman, Sachs & Co. Mr. Giuriceo earned a B.S. from Boston College and an M.B.A. from Harvard Business School.

Mr. Wasserman has been with CD&R for ten years. He is currently a director of Culligan Ltd., Hertz Global Holdings, Inc., and ICO Global Communications (Holdings) Limited. Previously, he served on the board of Kinko's, Inc. and Convansys Company. Before joining CD&R, Mr. Wasserman worked in the principal investment area at Goldman, Sachs & Co. and as a management consultant at Monitor Company. He is a graduate of Amherst College and holds an M.B.A. from Harvard Business School.

Executive Officers of ServiceMaster

The names and ages of the executive officers of ServiceMaster as of September 30, 2008, together with certain biographical information, are as follows:

Name	Age	Present Positions	First Became an Officer of ServiceMaster or a subsidiary
J. Patrick Spainhour	58	Chief Executive Officer	2006
Steven J. Martin	44	Senior Vice President and Chief Financial Officer	2000
Greerson G. McMullen	46	Senior Vice President and General Counsel	2007
Jed L. Norden	57	Senior Vice President, Human Resources	2008
David W. Martin	44	Senior Vice President and Corporate Controller	2005
Mark W. Peterson	54	Senior Vice President and Corporate Treasurer	2007
Dan J. Marks	43	Chief Information Officer	1994
Peter L. Tosches	43	Vice President, Corporate Communications	2007
Richard A. Ascolese	54	President and Chief Operating Officer, TruGreen LandCare	1997
Thomas G. Brackett	42	President and Chief Operating Officer, Terminix International	1997
David J. Crawford	51	President and Chief Operating Officer, American Home Shield	2005
Laura J. Hendricks	46	President and Chief Operating Officer, Merry Maids	2007
Michael M. Isakson	55	President and Chief Operating Officer, ServiceMaster Clean, Furniture Medic and AmeriSpec	1992

J. Patrick Spainhour has served as Chairman and Chief Executive Officer since May 2006. He served as Chairman and Chief Executive Officer of Ann Taylor Stores Corporation, a women's specialty retailer, from 1996 to 2005.

Steven J. Martin has served as Chief Financial Officer since November 2007. He served as Senior Vice President and Chief Financial Officer of TruGreen LawnCare from September 2003 to November 2007. Mr. Martin served as Senior Vice President and Chief Financial Officer of TruGreen Companies from December 2000 to September 2003.

Greerson G. McMullen has served as Senior Vice President and General Counsel of ServiceMaster since August 2007. From October 2005 to May 2007, Mr. McMullen worked at CNL Hotels & Resorts, a hotel real estate investment trust, where he served as Senior Vice President, General Counsel and Secretary and Executive Vice President, General Counsel and Secretary. From July 2004 to September 2005, Mr. McMullen served as Executive Vice President, General Counsel and Secretary of Global Signal, a wireless communication tower real estate investment trust. Prior to joining Global Signal, Mr. McMullen worked for General Electric Company, a technology, media and financial services company, from 1996 to 2004, where he served in various roles, including General Counsel and Attesting Secretary of GE Power Control Technologies and Senior Vice President and General Counsel of GE Fanuc Automation N.A.

Jed L. Norden has served as Senior Vice President, Human Resources of ServiceMaster since June 2008. From January 2004 to May 2008, Mr. Norden worked at Retail Ventures, Incorporated, a footwear and fashion retailer, where he served as Executive Vice President and Chief Administrative Officer, Executive Vice President, Human Resources, Real Estate and Construction, and Executive Vice President, Human Resources. From December 2002 to December 2003, Mr. Norden served as Vice President, Human Resources of Ultimate Electronics, Inc., a home entertainment and consumer electronics retailer.

David W. Martin has served as Senior Vice President and Corporate Controller since November 2007. He served as Vice President and Chief Financial Officer of Terminix from March 2006 to October 2007, and Vice President and Financial Controller of Terminix from April 2005 to February 2006. Prior to joining Terminix, Mr. Martin served as Audit Partner of Grant Thornton, an accounting, tax and business advisory organization, from January 2003 to March 2005.

Mark W. Peterson has served as Senior Vice President and Corporate Treasurer since November 2007. Prior to joining ServiceMaster, Mr. Peterson served as Treasurer of Cincinnati Bell, an integrated communications solutions company, from March 1999 to November 2007.

Dan J. Marks has served as Senior Vice President and Chief Information Officer since August 2007. He served as Senior Vice President and Chief Information Officer for American Home Shield from October 1994 to August 2007.

Peter L. Tosches has served as Vice President, Corporate Communications since December 2007. Prior to joining ServiceMaster, Mr. Tosches served as Vice President, Corporate Communications of Mars, a confectionery manufacturer, from August 2005 to August 2007, Vice President of Corporate Communications of Cendant, a vehicle rental operations company, from February 2005 to March 2005, and Vice President, Corporate Communications of General Electric, a technology, media and financial services company, from April 1997 to February 2005.

Richard A. Ascolese has served as President and Chief Operating Officer of TruGreen LandCare since September 2005. He served as Chief Operating Officer, TruGreen LandCare from November 2004 to September 2005. Mr. Ascolese served as Executive Vice President of American Home Shield from January 1997 to November 2004.

Thomas G. Brackett has served as President and Chief Operating Officer of Terminix International since December 2006. He served as Chief Operating Officer of Terminix from January 2005 to December 2006, and served as Division Vice President of Terminix from December 1997 to January 2005.

David J. Crawford has served as President and Chief Operating Officer of American Home Shield since March 2006. Mr. Crawford served as Senior Vice President, Sales of American Home Shield from January 2005 to February 2006, and served as Vice President, Real Estate Sales of American Home Shield from June 1994 to December 2004. He served as President of AmeriSpec from February 2006 to December 2006.

Laura J. Hendricks has served as President and Chief Operating Officer of Merry Maids since December 2007. Prior to joining ServiceMaster, Ms. Hendricks served as Vice President, Supply Chain of Cintas, a corporate uniform and supply company, from January 2005 to December 2007, and served as Region Business Director of Cintas from September 2000 to January 2005.

Michael M. Isakson has served as President and Chief Operating Officer of ServiceMaster Clean since August 1995. He has served as President and Chief Operating Officer of Furniture Medic and AmeriSpec since January 2007. He served as President of Merry Maids from August 1992 to September 1998.

Financial Code of Ethics

ServiceMaster has a Financial Code of Ethics that applies to the Chief Executive Officer, Chief Financial Officer and Controller, or persons performing similar functions, and other designated officers and employees, including the Chief Financial Officer of each ServiceMaster business unit and the Treasurer. ServiceMaster also has a Code of Conduct that applies to directors, officers and employees. The Financial Code of Ethics and Code of Conduct each address matters such as conflicts of interest, confidentiality, fair dealing and compliance with laws and regulations. Copies of the Financial Code of Ethics and the Code of Conduct are available on ServiceMaster's website at *http://www.svm.com* and are also available in print to any person who requests it by writing to the Corporate Secretary at the following address: The ServiceMaster Company, 860 Ridge Lake Boulevard, Memphis, Tennessee 38120.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section provides information regarding the material elements of our 2007 compensation program for our principal executive officer, principal financial officers, the three most highly-compensated executive officers other than the principal executive officer and principal financial officers, and two executive officers whose employment terminated in 2007 ("NEOs"). Until July 24, 2007, the Compensation and Leadership Development Committee of our Board of Directors (the "Committee") oversaw the design and administration of our executive compensation program with the assistance of Frederic W. Cook & Company Inc. ("Cook"), an independent consulting firm retained by the Committee. The Committee requested that Cook examine compensation-related presentations, data and research prepared by the Company to be reviewed and discussed at Committee meetings, and to attend such meetings, for the purpose of providing the Committee critical advice on such materials and discussions.

On July 24, 2007 the Merger was completed. At the time of the Merger, the structure and composition of our Board of Directors changed. Our compensation program is now administered by our Board of Directors, with the exception of the ServiceMaster Global Holdings, Inc. Stock Incentive Plan (the "MSIP") under which our NEOs are eligible to receive equity in Holdings, which is administered by Holdings. The material elements of our 2007 compensation program, with the exception of the MSIP, were put in place by the Committee prior to the Merger.

Below is a timeline of material changes in compensation during 2006 - 2007 and a brief overview for 2008.

2006	March: The Committee undertook a compensation program market review resulting in a shift in focus from short-term annual compensation to long-term, performance based compensation in support of longer, more sustainable Company performance goals.
	November: The Company announced the pursuit of strategic alternatives to include the possibility of a change in ownership which would ultimately become the Merger, and delayed approvals of 2007 compensation plan changes.
2007	March: With the Merger pending, the Committee approved annual bonus plans (as defined below) unchanged for 2007, the suspension of annual equity stock-based awards, and a shift to performance-based long-term cash incentives through a new 2007 Long Term Incentive Plan ("LTIP").
	July: The Merger closed and new owners agreed to continue the current cash compensation programs for 2007; equity awards outstanding at the time of the Merger, whether or not vested, were cancelled in exchange for cash payments based on the Merger price.
2008	The Company's compensation plan will include market based increases to base salary, if appropriate, and market based reductions in annual bonus plan targets including the elimination of the Corporate Performance Plan ("CPP") (with a one time bridge bonus to soften the impact of the annual bonus plan reductions). 2008 will be the first full year of operation under the new MSIP.

Philosophy and Objectives of Our Compensation Program

Executive Compensation Philosophy

ServiceMaster's compensation plans for executive officers are designed to:

- attract, motivate and retain highly qualified executives;
- align the interests of executive officers with those of ownership through the use of equity-based incentive awards that link a significant portion of compensation to increasing company value; and
- link pay and performance by placing a significant portion of compensation at risk and subject to the achievement of financial goals and other critical performance criteria.

The objectives of our compensation program for our NEOs include ensuring alignment between performance achieved and compensation rewarded, and motivating achievement of both annual goals and sustainable long-term performance. To meet these objectives, the Committee considered objective and subjective factors in structuring the compensation program for executive officers. These factors included competitive pay practices (carrying the heaviest weighting), then individual performance and potential, internal compensation comparisons and lastly a consideration for historical compensation levels. This weighting is used first to determine competitive pay practices in the design of variable pay (with the assistance of peer group data), such that upper quartile performance would be rewarded in a manner commensurate with upper quartile rewards for individuals. Internal comparisons, while an important factor in compensation, were viewed as more of a subset of the first two factors than its own overriding factor. Historical compensation levels were reviewed; however, these factors were not viewed as critically as the others, as they are considered more of a reference point than a determining factor. Competitive pay practices are collected from market data for base salary, bonus, long-term incentives and total compensation.

During 2006, ServiceMaster engaged Hewitt Associates ("Hewitt") to conduct a total market review to determine whether our compensation program was competitive and aligned appropriately. Companies used for executive compensation pay comparison included a broad group of companies similar in size to ServiceMaster. We developed a peer group consisting of 69 diversified or service, retail and manufacturing companies with revenues ranging from one-half to two times our revenues. The decision to set the range for establishing the peer group at one-half to two times our revenues was made on Hewitt's recommendation due to our diversified business model. As the size of our peer group is in part a function of the breadth of our businesses, we felt it necessary, in developing the peer

group, to include companies that operate in each of the major sectors in which we operate businesses. The companies in our peer group were:

Gannett Co	Interpublic Group of Cos.	NCR Corp
Starwood Hotels & Resorts Worldwide	Unisys Corp.	Tribune Co.
Quest Diagnostics Inc	Kelly Services Inc	Beazer Homes USA Inc
Avaya Inc	Hilton Hotels Corp	H&R Block Inc
United Stationers Inc	Fiserv Inc	Warner Music Group Corp
New York Times Co	Washington Group Intl Inc	Convergys Corp
DST Systems Inc	Brightpoint Inc	Chicago Bridge & Iron Co
American Greetings	Renal Care Group Inc	Ceridian Corp
Dunn & Bradstreet Corp	Equifax Inc	Advo Inc
Imation Corp	Covance Inc	Acxiom Corp
Gatx Corp	Dollar General Corp	CDW Corp
Blockbuster Inc	AutoZone Inc	Darden Restaurants Inc
Ross Stores Inc	Longs Drug Stores Corp	Big Lots Inc
Neiman-Marcus Group Inc	PetSmart Inc	Williams-Sonoma Inc
Retail Ventures Inc	Charming Shoppes Inc	Payless ShoeSource Inc
Dicks Sporting Goods Inc	Rent-a-Center Inc	Brown Shoe Co Inc
Pep Boys-Manny Moe & Jack	AnnTaylor Stores Corp	Tractor Supply Co
Spartan Stores Inc	Petco Animal Supplies Inc	Pier 1 Imports Inc
Phillips-Van Heusen Corp	Sherwin-Williams Co	Fortune Brands Inc
Black & Decker Corp	Dover Corp	Brunswick Corp
Avery Dennison Corp	Whirlpool	Ecolab Inc
Clorox Co	Alberto-Culver Co	Lennox International Inc
Hasbro Inc	Scotts Miracle-Gro Co	Walter Industries Inc

The Company used survey data on this new peer group in order to: (i) approve the base pay and total compensation targets for 2007 for the CEO and other NEOs, which was done on February 22, 2007 and (ii) determine the increases in salary effective for 2007 for Mr. Mrozek upon his promotion to Vice Chairman, effective as of November 1, 2006. The peer group survey data contained the 25th percentile, 50th percentile, 75th percentile and average Base, Bonus, Long-term, and Total Compensation for the peer group's equivalent executive officers to the NEOs. The peer group survey data was designed to be used in the review, benchmarking and recommendation to the Committee of all elements of compensation for the NEOs, with the exception of the MSIP (as discussed below).

Role of Executive Officers in Compensation Decisions

In early 2007, consistent with prior years, the Committee recommended to the full Board of Directors for approval the compensation of the Chairman and CEO, including base salary, annual bonus incentives and long-term incentives. The Chairman and CEO was not present during any discussions regarding his compensation. The Chairman and CEO also recommended to the Committee for approval the compensation of the remaining executive officers, including base salary, annual bonus incentives and long-term incentives. Historically, the Committee, when determining compensation of the Chairman and CEO, and when determining compensation of the remaining executive officers, arrived at recommendations for compensation after considering objective and subjective factors as described above in the objectives of our compensation programs.

Departure of Key Executives

ServiceMaster entered into agreements with Messrs. Sutton, Mrozek, Engel, Kaput and Cromie providing for severance to be paid upon their departures. Pursuant to the agreements, each received a lump sum amount of severance and prorated bonuses under ServiceMaster's Annual Bonus Plan and Corporate Performance Plan, subject to withholding and other deductions. Each will also be entitled to

receive a gross-up payment in the event that any payment received related to terminations and the change in control is subject to excise tax and interest and/or penalties related thereto.

The table below describes the impact of the change in control severance agreements on 2007 compensation and the respective separation dates.

	Separation Date	2007 Bonus ABP	2007 Bonus CPP	2007 LTIP	MSIP
Dennis R. Sutton	09/12/2008	Paid on actual results	Paid on actual results	To be paid pursuant to the plan	All stock options canceled and shares repurchased at fair market value
Ernest J. Mrozek	02/29/2008	Paid on actual results	Paid on actual results	Forfeited upon termination	Not participating
Mitchell T. Engel	12/31/2007	Paid at target	Paid at target	Not participating	Not participating
Jim L. Kaput	10/31/2007	Paid at prorated target	Paid at prorated target	Not participating	Not participating
Scott J. Cromie	08/31/2007	Paid at prorated target	Paid at prorated target	Forfeited upon termination	Not participating

Details concerning the change in control severance agreements are further discussed under "Potential Payments upon Termination or Change-in-Control."

The Elements of Our Compensation Program

The following section describes the elements of our 2007 compensation program for NEOs, together with a discussion of what each element was designed to reward and why the Company chose to include each element in our compensation program.

Executive Officer Compensation Components

For 2007, the compensation package for executive officers consisted primarily of the following components:

Pre-Acquisition:

Annual Cash Compensation

salary;

incentive compensation under our Annual Bonus Plan ("ABP"); and

incentive compensation under our CPP.

Long-term Cash Compensation

incentive compensation under our LTIP.

In addition, Post-Acquisition:

Long-term Equity Compensation

incentive compensation under the MSIP.

Total Compensation

Total compensation is designed to support our executive compensation philosophy and is comprised of both annual and long-term compensation. Differences in total compensation generally

reflect the length of time that particular NEOs have served in their roles and the relevant experience and expertise of each NEO. ServiceMaster has historically focused on short term incentives to drive annual performance in support of the overall strategic direction set by the Board. With the introduction of a new three year business plan beginning in 2007, ServiceMaster began to shift its focus to more sustainable long-term results. Consistent with this shift in business strategy, the Company introduced the LTIP, a new cash-based incentive plan that is variable and based on performance over a three-year plan period. The following describes the compensation mix for our NEOs who participate in the LTIP:

2007 Total Compensation Mix for LTIP Participants(1)

	% of Total Compensation		% of Total Compensation	
Name(7)	**Fixed %(2)**	**Variable %(3)**	**Annual %(4)**	**Long-Term %(5)**
J. Patrick Spainhour(6)	21%	79%	42%	58%
Ernest J. Mrozek	25%	75%	73%	27%
Steven J. Martin	35%	65%	85%	15%
Dennis R. Sutton	35%	65%	85%	15%
Michael M. Isakson	32%	68%	82%	18%
Scott J. Cromie	30%	70%	79%	21%
Average	26%	74%	65%	35%

(1) For the purpose of representing the 2007 Total Compensation Mix, the MSIP grant occurring on 12/17/2007 was not included.

(2) Fixed consists of base salary.

(3) Variable consists of performance based awards under the ABP, CPP and LTIP (assuming target or plan achievement).

(4) Annual consists of base salary and awards under the ABP and CPP (assuming target or plan achievement).

(5) Long-Term consists of grants of LTIP units (assuming target or plan achievement).

(6) Mr. Spainhour has a larger percentage attached to Long-Term as he was hired during the Committee's consideration of the shift to long-term awards.

(7) Due to their separation agreements related to the consolidation of our offices in Memphis, Messrs. Kaput and Engel were not included in ServiceMaster's 2007 long-term compensation plans and are therefore excluded from this table. See "Potential Payments Upon Termination of Change in Control" for information regarding these agreements.

Annual Cash Compensation

Our 2007 compensation program for NEOs was designed to shift focus to long-term results through performance based long-term awards. This resulted in approximately 2/3rds of total target compensation being delivered in the form of annual compensation. Annual compensation was paid in the form of base salary and bonuses under our two annual performance-based non-equity incentive plans, the ABP and CPP. Salary

is included in the compensation package because we determined that an appropriate portion of NEO compensation should be fixed and, therefore, not subject to the attainment of performance targets. Performance-based annual cash bonuses were included in the 2007 compensation package because they motivate our NEOs to pursue the annual performance targets the

Committee believed were consistent with the overall strategic direction the Board of Directors set for our Company. The components comprising the annual cash portion of total compensation are described below.

Salary. Base salaries for NEOs for 2007 were fixed by the Committee at its meeting on February 22, 2007, to be effective January 1, 2007. Increases or decreases in salary on a year-over-year basis are dependent on competitive pay practices (carrying the heaviest weighting), then individual performance and potential, internal compensation equity, and lastly a consideration for historical compensation levels. For 2007, the Committee approved an overall 3% salary increase. Following such increases, base salary comprised 27% of total target compensation of all NEOs. Both the overall base increase percentage and the percentage of total target compensation are consistent with median market data. In some cases, an individual salary was adjusted more or less than 3% to reflect market data or individual performance.

2007 Salary Increase Table

	Increase %	New Salary	Basis for Increase	Committee Approval	Effective Date
J. Patrick Spainhour	New Hire	$ 900,000	Made permanent Chairman and CEO	07/20/2006	7/1/2006
Ernest J. Mrozek	8.5%	$ 667,080	Promotion to Vice Chairman	10/26/2006	11/1/2006
Steven J. Martin	5.0%	$ 276,150	Merit adjustment for individual performance	N/A	1/1/2007
	26.7%	$ 350,000	Promotion to CFO	11/14/2007	11/15/2007
Mitchell T. Engel	2.5%	$ 457,150	Merit adjustment for individual performance	2/22/2007	1/1/2007
Dennis R. Sutton	4.0%	$ 390,000	Market adjustment and for individual performance	2/22/2007	1/1/2007
Michael M. Isakson	8.1%	$ 280,000	Market adjustment and for individual performance	N/A	1/1/2007
	3.2%	$ 289,000	Adjustment for expiration of vehicle lease	N/A	8/1/2007
	6.9%	$ 309,000	Market adjustment	N/A	9/1/2007
Jim L. Kaput	2.5%	$ 435,625	Merit adjustment for individual performance	2/22/2007	1/1/2007
Scott J. Cromie	3.0%	$ 412,000	Merit adjustment for individual performance	2/22/2007	1/1/2007

Annual Bonus Plans. The Company had two cash bonus plans in 2007: the annual bonus plan ("ABP") and the corporate performance plan ("CPP"). These plans provide annual cash compensation to NEOs if performance targets set by the Committee were met. For 2008, our Board of Directors decided to eliminate the CPP and retain only one bonus plan going forward, the ABP, which will be tied to Company performance. This decision reflects a change in philosophy and elements of the compensation plan which, in conjunction with the MSIP, is designed to motivate sustainable long-term performance.

For 2007, target bonuses under each plan were designed to reward attainment of short-term performance targets supporting the overall strategic direction the Board set for our Company. Individual target awards under each plan for 2007 were established by the Committee based on the

recommendation of our CEO, after first considering external market data and then our total compensation review and historical compensation levels. Target award levels under each plan generally remained the same for 2007 compared to 2006 due to the potential acquisition of the Company at the time targets were set.

The table below reflects the annual bonus plan targets for our NEOs for 2007.

	Target Bonus ABP %	Target Bonus ABP $	Target Bonus CPP
J. Patrick Spainhour	100%	$ 900,000	$ 0
Ernest J. Mrozek	100%	$ 667,080	$ 595,000
Steven J. Martin	100%	$ 285,381	$ 126,000
Mitchell T. Engel	100%	$ 457,150	$ 280,000
Dennis R. Sutton	100%	$ 390,000	$ 175,000
Michael M. Isakson	100%	$ 288,135	$ 157,500
Jim L Kaput	100%	$ 435,625	$ 280,000
Scott Cromie	100%	$ 412,000	$ 249,900

The tables below describe information regarding the 2007 ABP, including the performance goals, the weight attached to each performance goal, the thresholds required for minimum payout and the payout as a percent of target bonus if the threshold, target or maximum performance is met. The performance goals and relative weighting reflect the Committee's objective of ensuring that a substantial amount of each NEO's total compensation is tied to company-wide, business unit and individual performance goals. In 2007, the Committee set pretax income, revenue, business unit pretax income and individual performance targets under the ABP based on management's business plan supporting the three year plan. Generally, the Committee set aggressive target payout levels consistent with the relative difficulty of achieving the budget performance levels set for the coming year. For the company-wide measures of pretax income and revenue, the Committee set threshold performance levels for 2007 at 90% of pretax and revenue targets. The maximum award was set at 110% of plan. Maximum payout reflects goals which can be attained only when business results are exceptional. In the past four years, the Company has exceeded target three times and fallen below target one time with performance well within the threshold and maximum in each year.

Threshold is defined as the minimum performance required for any incentive payout and below which payout is zero ($0). Target is defined as the expected or planned performance at which payout is target (100%). Maximum is defined as the maximum performance to which payouts are increased and beyond which payouts are capped.

2007 Annual Bonus Plan (In thousands)

Business Unit	Pre-tax Income goals Threshold (90% Plan)	Target (100% Plan)	Maximum (110% Plan)
TruGreen ChemLawn	$ 158,271	$ 175,857	$ 193,443
TruGreen LandCare	$ (23,885)	$ (21,714)	$ (19,543)
Terminix	$ 131,390	$ 145,989	$ 160,588
Group Branch Business	$ 265,776	$ 300,132	$ 334,488
American Home Shield	$ 86,056	$ 95,618	$ 105,180
ServiceMaster Clean	$ 45,732	$ 50,813	$ 55,894
InStar	$ 10,040	$ 11,155	$ 12,271
Merry Maids	$ 16,335	$ 18,150	$ 19,965
Group Franchise Business	$ 158,163	175,736	193,310
ServiceMaster Overall	$ 264,685	$ 294,094	$ 323,503

2007 Annual Bonus Plan (In thousands)

	Revenue goals Threshold (90% Plan)	Target (100% Plan)	Maximum (110% Plan)
ServiceMaster Overall	$3,289,633	$3,655,148	$4,020,662

2007 Corporate Performance Plan (In Thousands)

	Pre-tax Income goal Threshold (80% Plan)	Target (100% Plan)	Maximum (120% Plan)
ServiceMaster Overall	$235,275	$294,094	$352,913

ServiceMaster Overall Pre-tax income goal reflects an adjustment to target for adjustments related to the Merger and resulting in corresponding adjustments to threshold and maximum.

2007 ABP Weighting

Participant(1)	Weighting	Threshold Required (% of target performance)	Scale = Payout (% of target bonus)(1)
J. Patrick Spainhour	80% ServiceMaster Pre-tax income	Pre-tax income 90%	Threshold = 50%
Ernest J. Mrozek	20% Revenue	Revenue 90%	Target = 100%
			Maximum =% 120
Dennis R. Sutton	50% TruGreen LawnCare Pre-tax income	Pre-tax income 90%	Threshold = 50%
Steven J. Martin	20% ServiceMaster Pre-tax income		Target = 100%
	30% Individual goals & objectives		Maximum =% 120
Michael M. Isakson	50% ServiceMaster Clean Pre-tax income	Pre-tax income 90%	Threshold = 50%
	20% ServiceMaster Pre-tax income		Target = 100%
	30% Individual goals & objectives		Maximum =% 120
Scott J. Cromie	60% Group Pre-tax income(2)	Pre-tax income 90%	Threshold = 50%
	40% ServiceMaster Pre-tax income		Target = 100%
			Maximum =% 120

(1) Messrs. Engel, Kaput and Cromie were paid at target, prorated for their respective termination dates, under their change in control severance agreements. Messrs. Engel and Kaput did not have performance weighted measures; their change in control severance agreements provided that they would be paid 100% on Company results, and after the Merger they were paid at target subject to their change in control severance agreements. Weighting for Mr. Cromie was established at the beginning of the year before his separation was known.

(2) "Group" included American Home Shield, AmeriSpec, ServiceMaster Clean, InStar, Merry Maids and Furniture Medic.

The following table sets forth information regarding the 2007 performance under the ABP, including the percentage of performance target attained and the percentage of target bonus earned.

Participant(1)	Target % of Salary	% of Pre-tax Target Attained	% of Revenue Target Attained	% of Business Unit Pre-tax Income Target Attained	% of Individual Goals Attained	% of Target Bonus Earned

J. Patrick Spainhour	100%	107.3%	95.5%	N/A	N/A	107%
Ernest J. Mrozek	100%	107.3%	95.5%	N/A	N/A	107%
Steven J. Martin(2)	100%	107.3%	N/A	102%	105%	124%
Dennis R. Sutton	100%	107.3%	N/A	102%	112.3%	109%
Michael M. Isakson	100%	107.3%	N/A	104.4%	100%	107%

(1) Messrs. Engel, Kaput and Cromie were paid at target, prorated for their respective termination dates, under their change in control severance agreements.

(2) Mr. Martin's ABP award for 2007 included a one-time discretionary amount of $50,000 for his efforts on Fast Forward resulting in his larger percentage of Target Bonus Earned.

CPP

The sole performance goal under the 2007 CPP was ServiceMaster pre-tax income. The performance goal reflected the Committee's objective of ensuring that a substantial amount of each NEO's total compensation was tied to Company-wide performance independent of business unit and individual performance. As with the ABP, in 2007, the Committee set the pre-tax income performance target under the CPP based on management's three year business plan. The budget and business plan are considered aggressive by management and create a financial stretch goal for the Company. Generally, the Committee set the target level such that the relative difficulty of achieving the target level is consistent from year to year and in support of the overall strategic direction the Board set for our Company. The maximum award target reflects goals which can be attained only when business results are exceptional. In the past four years, the Company has met or exceeded target three times and fallen below target one time with performance well within the threshold and maximum in each year.

The following table sets forth information regarding the 2007 CPP, including the target bonus and the amount of bonus earned based on achievement in 2007 of the respective ServiceMaster pre-tax income performance targets.

Participant(1)	Target Bonus	Bonus Earned	Percent Target Bonus Earned
J. Patrick Spainhour(2)	$ 0	$ 0	0%
Ernest J. Mrozek	$ 595,000	$ 638,435	107.3%
Steven J. Martin	$ 126,000	$ 135,198	107.3%
Dennis R. Sutton	$ 175,000	$ 187,775	107.3%
Michael M. Isakson	$ 157,500	$ 168,998	107.3%

(1) Messrs. Engel, Kaput and Cromie were paid at target, prorated for their respective termination dates, under their change in control severance agreements.

(2) Mr. Spainhour did not participate in CPP due to his larger percentage attached to long-term compensation as he was hired during the Committee's consideration of the shift to long-term awards.

Long-term Compensation

Approximately 33% of total target compensation for our NEOs in 2007 was delivered in the form of long-term compensation to align the interests of executives with those of ownership and to motivate achievement of sustainable long-term performance. In 2007, the Committee approved the LTIP, which was designed to reward performance against management's three year plan. Thus, performance goals were set for overall three year accumulated pretax income and revenue. The shift to cash and to performance based long-term awards was designed to bring more attention to management's long term goals. Individual grant levels were based mostly on a valuation of historical compensation levels, taking into consideration internal compensation equity, and are delivered in the form of units with a target cash value of $100 per unit. The Committee established the LTIP levels for each NEO for 2007 in March of 2007. The LTIP was intended to take the place of the suspended equity-based compensation plan due to the pending acquisition.

The Committee instituted the LTIP to benefit the Company by linking the compensation of its key employees to the achievement of performance goals established by the Committee relating to consolidated pre-tax income and revenue of the Company and its subsidiaries over a three-year performance period beginning January 1, 2007 and ending December 31, 2009. Calculations of income and revenue will be performed by the CFO and reviewed by an independent accounting firm. Payments under the LTIP will be made by March 15, 2010.

2007 LTIP

Goals are 3 year accumulated performance goals. (2007 - 2009 plan)	Threshold (90% Plan)	Target (100% Plan)	Pre-tax Income & Revenue goals Maximum (115% Pretax Plan) (110% Revenue Plan)
ServiceMaster Overall Pretax Income	$ 989,882	$ 1,099,869	$ 1,264,849
ServiceMaster Overall Revenue	$ 10,752,414	$ 11,947,127	$ 13,141,840

Threshold is defined as the minimum performance required for any incentive payout and below which payout is zero ($0). Target is defined as the expected or planned performance at which payout is target (100%). Maximum is defined as the maximum performance to which payouts are increased and beyond which payouts are capped.

Practices Regarding the Grant of Equity Awards

Historically, the Committee made annual equity award grants to certain employees. The Committee did not include annual equity awards as part of our 2007 compensation program, as the Committee decided that such awards would be imprudent while the Company was considering offers for its purchase. Further, the definitive agreement executed for the Merger in March of 2007 provided that no new equity awards would be granted by the Company prior to the closing of the Merger. Following the Merger, in December of 2007, Holdings offered key members of management of the Company, including the NEOs, the opportunity to purchase stock and receive stock options of Holdings pursuant to the MSIP.

Pre-Merger Historical Grants of Equity Awards and the Cash-Based LTIP

Historically the Committee granted the same level of equity awards from year to year. In 2007, the Committee replaced the annual equity awards with a grant under the new, cash-based LTIP based on the value of the 2006 equity grant. For 2007 the value of the 2006 equity grant was converted to a cash value and issued in the form of units with a target value of $100 per unit. This conversion was based on fair market value. The following table sets forth information regarding LTIP awards granted in 2007 to our NEOs.

	Long-Term grants 2007 LTIP	
	Units Granted	Target Value
J. Patrick Spainhour	25,000	$ 2,500,000
Ernest J. Mrozek	7,142	$ 714,200
Steven J. Martin	1,250	$ 125,000
Dennis R. Sutton	1,666	$ 166,600
Michael M. Isakson	1,587	$ 158,700
Scott J. Cromie	2,857	$ 285,700

Mr. Spainhour has a larger percentage attached to long-term compensation as he was hired during the Committee's consideration of the shift to long-term awards.

Messrs. Engel and Kaput did not have 2007 long-term compensation awards.

Post-Merger Investment Opportunities and Equity Incentive Compensation under the MSIP

On November 20, 2007, Holdings adopted the MSIP, under which Holdings may provide certain of our key employees with the opportunity to invest in shares of Holdings common stock and/or receive options to purchase shares of Holdings common stock. Each of our executive officers is eligible to participate in the MSIP, but actual investment opportunities provided to any individual or the officers as a group are entirely at the discretion of Holdings. Although the investment opportunities and grants of stock options are not made to our executive officers by us, we consider these equity transactions and grants to be an important part of our overall executive officer compensation program. The costs of these transactions are borne by us and are reflected in our financial statements. Accordingly, we will factor these transactions into our evaluation of each executive officer's overall compensation when we are making executive officer compensation decisions.

We believe that these investment opportunities and grants encourage our executive officers to focus on our long-term performance, thereby aligning their interests with the interests of the other Holdings stockholders. The investment opportunities provide an opportunity for executive officers and certain designated key employees to increase their stake in the Company by putting their own financial resources "at risk" based on the performance of the Company. In addition, through stock option grants, the executive officers are encouraged to focus on sustained increases in the Company's share value. Specifically, we believe the granting of stock options assists the Company to:

- enhance the link between the creation of stockholder value and long-term executive incentive compensation;
- provide an opportunity for increased equity ownership by executives; and
- maintain competitive levels of total compensation.

On December 19, 2007, Holdings completed an offering of shares and grants of options to MSIP participants, including Messrs. Spainhour, Martin, Sutton and Isakson. Additional information regarding this offering can be found in the narrative accompanying the Summary Compensation Table and 2007 Grants of Plan-Based Awards Table below.

Perquisites

The Company provides its executive officers with perquisites that the Board of Directors believes are reasonable and consistent with the overall objectives of the compensation program to attract and retain highly qualified executives. The Committee historically reviewed the perquisites provided to our NEOs on a regular basis, using peer group data provided by Hewitt and research conducted by the Company, to ensure that they continued to be appropriate in light of the Committee's overall goal of designing a compensation program for NEOs that increases Company value. The perquisites provided to our NEOs are memberships in social and professional clubs, certain spousal travel, Company-provided vehicles and, for our CEO and former CFO, personal use of Company aircraft. These perquisites are provided by many companies with which ServiceMaster competes for management talent for their executive officers and the Company believes they facilitate retention and recruitment of executive officers.

The Committee established a policy regarding personal use of the Company aircraft (the "Aircraft Policy") by our CEO and former CFO. The Aircraft Policy provided that the CEO and former CFO shall recognize taxable income for their personal use of the Company aircraft occurring in any year and shall reimburse the Company for personal use of the Company aircraft exceeding the designated limits set forth in the Aircraft Policy (up to fifty hours for the CEO, and up to twenty-five hours for the former CFO). Any amount so reimbursed to the Company shall be applied to reduce the individual's taxable income accordingly. Our current CFO, Steven J. Martin, does not have the right to personal use of the Company aircraft.

Deferred Compensation

Employees, including the NEOs, are generally eligible to participate in the ServiceMaster Profit Sharing and Retirement Plan ("PSRP"). The PSRP is a tax-qualified defined contribution plan pursuant to which the NEOs, as "highly compensated employees" (as defined in the IRS Code), were eligible to contribute up to 2% of their annual salary in 2007. We also maintain the ServiceMaster Deferred Compensation Plan ("DCP"), which is a non-qualified supplemental plan designed to afford certain highly compensated employees (including the NEOs) the opportunity to defer additional amounts of compensation on a pretax basis, over and above the amounts allowed under the PSRP. The Company provides this benefit because the Company wished to permit our employees to defer the obligation to pay taxes on certain elements of the compensation that they are entitled to receive. All deferred amounts under the DCP are subject to earnings or losses based on the investments selected by the individual participants. The Company believes that provision of this benefit is important as a recruitment and retention tool as many if not all of the companies with which the Company competes for executive talent provide a similar plan to their senior employees. Participants may defer 2% to 75% of compensation under the PSRP and DCP. For 2007, the Board approved a discretionary employer match of up to 2% of employee contributions.

Post-Termination Compensation

The Company has entered into employment agreements with Messrs. Spainhour and Mrozek which provide for certain payments and, for Mr. Mrozek, accelerated vesting of equity awards in the event of certain circumstances surrounding his termination of employment. These agreements were entered into to attract Mr. Spainhour to take the position of CEO and to encourage Mr. Mrozek to remain as the Company's CFO until such time as the Company's headquarters were successfully consolidated from Downers Grove, Illinois to Memphis, Tennessee.

The Company also entered into change in control severance agreements with each of the NEOs to secure their continued service and to ensure their dedication and objectivity in the event of a change in control or threatened change in control. As previously described, a change in control of the Company occurred on July 24, 2007. Therefore, a termination of the employment under certain circumstances of a named executive officer within two years following that date may trigger payments under that officer's change in control severance agreement. In addition to their change in control severance agreements, the Company entered into separation agreements with Messrs. Engel and Kaput in connection with the consolidation of our offices in Memphis. Under these separation agreements, the executives agreed to remain employed with the Company through the separation dates set forth in their respective agreements. These agreements were entered into to ensure the retention of both individuals through the time of transition brought on by the consolidation of Company headquarters. As a result of the change in control of the Company, these separation agreements were superseded by the change in control severance agreements. Additional information regarding the severance provisions of these agreements, including the definition of key terms and a quantification of benefits that have been received upon termination and would have been received if termination had occurred, is found under the heading "Potential Payments Upon Termination or Change-in-Control".

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option/ SAR Awards ($)(1)	Non-Equity Incentive Plan Compensation ($) ABP	CPP	All Other Compensation ($)(6)	Total ($)
J. Patrick Spainhour	2007	900,000	0	72,242	79,332	964,800	0(3)	38,459	2,054,833
Chief Executive Officer	2006	550,000	151,233(2)	53,858	33,095	421,200	0	53,540	1,262,926
Ernest J. Mrozek	2007	667,080	0	0	0	715,110	638,435	64,768	2,085,393
Former Vice Chairman and Chief Financial Officer	2006	623,679	0	466,875	286,875	491,784	526,116	51,060	2,446,389
Steven J. Martin Chief Financial Officer	2007	285,381	50,000(5)	73,459	21,909	303,703	135,198	5,850	875,500
Mitchell T. Engel(4)	2007	457,150	0	90,220	85,651	0	0	6,326,061	6,959,082
Chief Marketing Officer	2006	442,250	0	153,915	254,042	366,695	247,584	39,260	1,503,746
Dennis R. Sutton Former TruGreen LawnCare President	2007	390,000	0	36,416	7,391	423,618	187,775	3,045	1,048,245
Michael M. Isakson ServiceMaster Clean President	2007	288,135	0	35,712	6,585	309,227	168,998	5,850	814,507
Jim L. Kaput(4)	2007	363,021	0	93,684	64,268	0	0	5,664,252	6,185,225
Former Sr. Vice President and General Counsel	2006	425,000	0	160,036	175,159	354,501	247,584	1,080	1,363,360
Scott J. Cromie(4) Former Group President	2007	275,717	0	57,772	0	0	0	5,125,621	5,459,110

(1) The amounts in these columns reflect the dollar amount recognized for financial statement reporting purposes during the specified years for restricted stock, restricted stock unit, stock option and stock appreciation rights awards. The assumptions used in the valuation of these awards are disclosed in the Shareholders' Equity footnote to ServiceMaster's audited financial statements for the fiscal year ended December 31, 2007 included in this prospectus.

(2) Represents a guaranteed bonus for service as Interim Chairman and CEO from May 15, 2006 through June 30, 2006.

(3) Mr. Spainhour did not participate in the CPP due to his larger percentage attached to long-term compensation as he was hired during the Committee's consideration of the shift to long-term awards.

(4) Messrs. Engel, Kaput and Cromie were paid under their respective Change in Control Severance Agreements listed under All Other Compensation and therefore did not receive any award under Non-Equity Incentive Plan Compensation.

(5) Represents a one-time discretionary amount of $50,000 for Mr. Martin's efforts on Fast Forward.

(6)

Amounts in this column for 2007 are detailed in the All Other Compensation Table below:

Name of NEO	Perquisites and Other Personal Benefits	Company Contributions to PSRP and DCP	Tax Payments(3)	Company Contributions Under Employee Stock Purchase Plan	Severance Payments(4)	Total
J. Patrick Spainhour	38,459(1)	0	0	0	0	38,459
Ernest J. Mrozek	58,918(2)	5,850	0	0	0	64,768
Steven J. Martin	0	5,850	0	0	0	5,850
Mitchell T. Engel	0	5,850	1,988,661	11,500	4,320,050	6,326,061
Dennis R. Sutton	0	2,925	0	120	0	3,045
Michael M. Isakson	0	5,850	0	0	0	5,850
Jim L. Kaput	0	0	1,614,115	360	4,049,777	5,664,252
Scott J. Cromie	0	5,850	1,457,259	150	3,662,362	5,125,621

(1)

Includes personal use of corporate aircraft ($37,443), Company provided lawn care and/or pest control services and club dues and membership fees.

(2)

Includes personal use of corporate aircraft ($44,504), Company provided lawn care and/or pest control services, mobile phone, auto-related expenses, sporting event tickets and club dues and membership fees.

(3)

Represents gross-up payments in connection with severance payments.

(4)

Represents payments in connection with Change in Control Severance Agreements.

The incremental cost of the use of Company aircraft is calculated based on the variable operating costs to ServiceMaster, including fuel costs, mileage, trip-related maintenance, universal weather-monitoring costs, on-board catering, lamp/ramp fees and other miscellaneous variable costs. Fixed costs which do not change based on usage, such as pilot salaries, the lease costs of the Company aircraft, and the cost of maintenance not related to trips are excluded. The aggregate cost of other perquisites and personal benefits is measured on the basis of the actual cost to the Company.

Auto-related expenses include, and are valued according to the costs actually paid for, lease, fuel, repairs and insurance. Club dues are valued according to the amount actually reimbursed to the executive.

2007 Grants of Plan-Based Awards

Name	Grant Date	Units Granted Under Non-Equity Incentive Plans (#)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(4) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units(5)(7)	All Other Option Awards: Number of Securities Underlying Options(6)	Exercise Price of Options ($/Sh)(7)	Grant Date Fair Value of Stock and Option Awards ($)
J. Patrick Spainhour	ABP(1) 3/12/2007		450,000	900,000	1,080,000				
	LTIP(3) 3/12/2007	25,000	1,000,000	2,500,000	5,000,000				
	MSIP 12/19/2007						1,300,000	$ 10.00	$ 4,251,000
	MSIP 12/19/2007					300,000			$ 3,000,000
Ernest J. Mrozek	ABP(1) 3/12/2007		333,540	667,080	800,496				
	CPP(2) 3/12/2007	850	476,000	595,000	714,000				
	LTIP(3) 3/12/2007	7,142	285,680	714,200	1,428,400				
Steven J. Martin	ABP(1) 3/12/2007		142,691	285,381	342,457				
	CPP(2) 3/12/2007	180	100,800	126,000	151,200				
	LTIP(3) 3/12/2007	1,250	50,000	125,000	250,000				
	MSIP 12/19/2007						275,000	$ 10.00	$ 899,250
	MSIP 12/19/2007					50,000			$ 500,000
Mitchell T. Engel(9)	ABP(1) 3/12/2007		228,575	457,150	548,580				
	CPP(2) 3/12/2007	400	224,000	280,000	336,000				
Dennis R. Sutton	ABP(1) 3/12/2007		195,000	390,000	468,000				
	CPP(2) 3/12/2007	250	140,000	175,000	210,000				
	LTIP(3) 1/1/2007	1,666	66,640	166,600	333,200				
	MSIP 12/19/2007						275,000	$ 10.00	$ 899,250
	MSIP 12/19/2007					50,000			$ 500,000
Michael M. Isakson	ABP(1) 3/12/2007		144,068	288,135	345,763				
	CPP(2) 3/12/2007	225	126,000	157,500	189,000				
	LTIP(3) 1/1/2007	1,587	63,480	158,700	317,400				
	MSIP 12/19/2007						245,000	$ 10.00	$ 801,150
	MSIP 12/19/2007					60,000			$ 600,000
Jim L. Kaput(8)	ABP(1) 3/12/2007		217,813	435,635	522,750				
	CPP(2) 3/12/2007	400	224,000	280,000	336,000				
Scott J. Cromie(8)	ABP(1) 3/12/2007		206,000	412,000	494,400				
	CPP(2)								

3/12/2007	357	199,920	249,900	299,880
LTIP(3)				
1/1/2007	2,857	114,270	285,700	571,350

(1) The amounts in this row represent potential earnings under the 2007 ABP. The actual amounts earned by each of the NEOs under the 2007 ABP are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2)
The amounts in this row represent grants under the 2007 CPP. These grants were made in the form of units with a target value of $700 per unit. The value of each unit increases or decreases based on the achievement of the CPP performance target, as discussed in Compensation Discussion and Analysis. In 2007, the achievement of the pre-tax income performance target under the CPP resulted in a payout of 107.3% of target, or a value of $751.10 per unit. The actual amounts earned by each of the NEOs under the 2007 CPP are shown in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(3)
The amounts in this row represent grants under the 2007 LTIP for the performance period beginning January 1, 2007 and ending December 31, 2009. These grants were made in the form of units with a target value of $100 per unit. The value of each unit will increase or decrease based upon the achievement of the LTIP performance targets during the performance period, as discussed in Compensation Discussion and Analysis.

(4)
The amounts listed in these columns represent the potential earnings under each respective non-equity incentive plan. The threshold amount is the minimum earned amount if the threshold performance is attained. The maximum amount is the maximum earned amount if the maximum performance target is attained or exceeded.

(5)
The amounts in this column represent the number of shares purchased or the number of deferred stock units invested in pursuant to the MSIP. Each NEO paid the following amounts for the stock purchased or deferred stock units invested in and reflected in this column: Mr. Spainhour, $3,000,000; Mr. Martin and Mr. Sutton, $500,000; and Mr. Isakson, $600,000 (Mr. Isakson made an irrevocable election to allocate $400,000 of eligible deferred compensation to invest in 40,000 deferred stock units).

(6)
These amounts represent the number of shares underlying matching options granted under the MSIP in the following amounts: 600,000 for Mr. Spainhour, 100,000 for Mr. Martin, 100,000 for Mr. Sutton and 120,000 for Mr. Isakson; and the number of shares underlying stand-alone options granted under the MSIP in the following amounts: 700,000 for Mr. Spainhour, 175,000 for Mr. Martin, 175,000 for Mr. Sutton and 125,000 for Mr. Isakson.

(7)
The $10.00 per share purchase price and exercise price was based on the determination of the Board of Directors of Holdings of the fair market value of the common stock of Holdings as of the grant date. For additional information regarding this valuation, see Note 19 to ServiceMaster's audited financial statements for the fiscal year ended December 31, 2007, included in this prospectus.

(8)
All grants of plan based awards to these individuals were forfeited pursuant to their respective Change in Control Severance Agreements.

Employment Agreement with J. Patrick Spainhour

ServiceMaster entered into an employment agreement with J. Patrick Spainhour to serve as our Chairman and Chief Executive Officer effective as of June 30, 2006. The term of the employment agreement ends on December 31, 2008, with an automatic one-year renewal provision unless terminated by ServiceMaster or Mr. Spainhour.

The employment agreement provides Mr. Spainhour with an annual base salary of not less than $900,000. Mr. Spainhour's annual bonus target under the ABP is 100% of his salary, or $900,000, with a maximum payout of 200% of his salary. The actual payouts under the ABP are subject to satisfaction of performance targets established by the Committee.

Mr. Spainhour's base salary, target annual bonus, equity awards and all other compensation are subject to approval each year by the Board and Board of Directors of Holdings.

ServiceMaster has also entered into a change in control severance agreement with Mr. Spainhour. This agreement, as well as additional provisions of his employment agreement which provide for payments upon the termination of his employment, are discussed under "Potential Payments Upon Termination or Change-in-Control."

Other Agreements

In addition to the agreements described above, we have entered into change in control severance agreements with each of the NEOs. These agreements are further described under "Potential Payments upon Termination or Change-in-Control."

MSIP

On December 19, 2007, Holdings completed an offering of shares and grants of options to MSIP participants, including Messrs. Spainhour, Martin, Sutton and Isakson. To become eligible to purchase shares and receive options in the offering, certain participants, including Messrs. Spainhour, Martin, Sutton and Isakson, were required to make certain acknowledgments and agree to certain limitations under their

Change in Control Severance Agreements. For more information regarding these

acknowledgments and limitations, which were made pursuant to individual Participation Agreements, see "Potential Payments Upon Termination or Change of Control."

Participants in the offering either purchased shares for cash, or allocated eligible deferred compensation to deferred share units, which represent the right to receive a share on the first to occur of (i) the participant's termination of employment, (ii) a fixed date selected by the participant, or (iii) a change in control of Holdings. Shares and deferred share units were acquired for $10 per share or deferred share unit. Messrs. Spainhour, Martin, Sutton and Isakson purchased 300,000 shares, 50,000 shares, 50,000 shares and 20,000 shares, respectively. Mr. Isakson also made an irrevocable election to allocate a portion of his eligible deferred compensation to 40,000 deferred share units. The MSIP and an Employee Stock Subscription Agreement (or Employee Deferred Share Unit Agreement, as applicable) govern each MSIP participant's investment. See "Potential Payments Upon Termination or Change of Control" for information regarding the repurchase of shares from the MSIP participants upon a termination of employment.

For each share of Holdings common stock or deferred share unit invested in by a participant, Holdings generally granted the participant two "matching" options to purchase additional shares of Holdings common stock. Apart from the "matching" options, Holdings granted additional "standalone" options to participants in the offering. The options granted to the named executive officers in 2007 are shown in the 2007 Grants of Plan-Based Awards Table above. The MSIP and an Employee Stock Option Agreement govern each option award and provide, among other things, that the options vest in equal installments over the first four years of the ten-year option term. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents. See "Potential Payments Upon Termination or Change of Control" for information regarding the cancellation or acceleration of vesting of stock options.

2007 Outstanding Equity Awards at Fiscal Year-End

		Option Awards				
Name(2)	**Award Type(1)**	**Options Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)(1)**	**Option Exercise Price ($)**	**Option Expiration Date**
J. Patrick Spainhour	Options	12/19/2007	0	1,300,000	$ 10.00	12/19/2017
Steven J. Martin	Options	12/19/2007	0	275,000	$ 10.00	12/19/2017
Dennis R. Sutton	Options	12/19/2007	0	275,000	$ 10.00	12/19/2017
Michael M. Isakson	Options	12/19/2007	0	245,000	$ 10.00	12/19/2017

(1) Represents options to purchase shares of Holdings granted under the MSIP. Options become exercisable on the basis of passage of time and continued employment over a four-year period, with 25% becoming exercisable on each of 12/19/08, 12/19/09, 12/19/10 and 12/19/11.

(2) Messrs. Mrozek, Engel, Kaput and Cromie did not participate in the equity offering or receive any awards under the MSIP.

2007 Option Exercises and Stock Vested

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)(1)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting ($)
J. Patrick Spainhour	185,000	$ 975,875	66,285	$ 1,025,197
Ernest J. Mrozek	1,547,953	$ 5,631,779	68,516	$ 1,020,213
Steven J. Martin	82,333	$ 254,673	39,088	$ 599,307
Mitchell T. Engel	410,000	$ 1,227,850	49,170	$ 737,249
Dennis R. Sutton	112,900	$ 366,849	19,537	$ 297,284
Michael M. Isakson	200,167	$ 771,901	20,007	$ 300,469
Jim L. Kaput	246,667	$ 736,502	50,683	$ 759,537
Scott J. Cromie	339,022	$ 1,491,341	32,723	$ 491,857

(1) The amounts in this column represent the number of shares of ServiceMaster common stock cashed out on July 24, 2007 upon the accelerated vesting and exercise of SARs and options in connection with the Merger.

(2) The amounts in this column represent the number of shares of ServiceMaster common stock cashed out on July 24, 2007 upon the accelerated vesting of RSUs and restricted stock in connection with the Merger.

2007 Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY ($)(1)	Company Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(2)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last FYE ($)(3)
J. Patrick Spainhour	0	0	0	0	0
Ernest J. Mrozek	281,529	2,925	126,053	0	2,605,279
Steven J. Martin	27,001	2,925	5,666	0	253,844
Mitchell T. Engel	581,027	2,925	120,982	129,957	2,435,401
Dennis R. Sutton	0	0	0	0	0
Michael M. Isakson(5)	90,904	2,925	24,137	0	425,267
Jim L. Kaput	0	0	16,554	99,976(4)	0
Scott J. Cromie	88,944	2,925	37,693	657,266(4)	0

(1)

Amounts shown in this column are included in the Summary Compensation Table as follows: (a) as salary, $150,000 for Mr. Mrozek, $153,498 for Mr. Engel, $20,170 for Mr. Isakson, and $13,786 for Mr. Cromie; and (b) as non-equity incentive plan compensation, $131,529 for Mr. Mrozek, $27,001 for Mr. Martin, $427,529 for Mr. Engel, $70,734 for Mr. Isakson, and $75,159 for Mr. Cromie.

(2)

The amounts in this column do not represent above-market or preferential earnings and therefore are not included in the Summary Compensation Table.

(3) Amounts shown in this column were included in ServiceMaster's 2006 Summary Compensation Table as follows: (a) as salary, $146,400 for Mr. Mrozek, and $44,225 for Mr. Engel; and (b) as non-equity incentive plan compensation, $149,388 for Mr. Mrozek, and $468,777 for Mr. Engel.

(4) Represents withdrawal made as a result of termination of officer's employment.

(5) Mr. Isakson made an irrevocable election to allocate $400,000 of eligible deferred compensation to invest in 40,000 deferred stock units.

Deferred Compensation

DCP

The DCP is a non-qualified supplemental plan designed to afford certain highly compensated employees the opportunity to defer additional amounts of compensation on a pretax basis, over and above the amounts allowed under the PSRP. Deferred amounts are credited with earnings or losses based on the rate of return of mutual funds selected by the participants in the DCP. We match amounts that are deferred by employees pursuant to the DCP. Distributions are paid in accordance with the Plan. Distributions upon termination are payable no earlier than the six-month anniversary of the termination of employment with the Company.

Participants in the DCP may defer 2% to 75% of compensation. For 2007, the Committee approved a discretionary employer match of $0.65 for each $1 contributed up to the first 2% contributed for a maximum benefit of $2,925.

The DCP is not funded by us, and participants have an unsecured contractual commitment from us to pay the amounts due under the DCP. All plan assets are considered general assets of the Company. When such payments are due, the cash will be distributed from the plan's rabbi trust.

MSIP

As discussed above in the narrative following the 2007 Grants of Plan-Based Awards table, participants in the offering under the MSIP could allocate eligible deferred compensation to deferred share units, which represent the right to receive a share of Holdings common stock on the first to occur of (i) the participant's termination of employment, (ii) a fixed date selected by the participant, or (iii) a change in control of Holdings. Deferred share units were acquired for $10 per deferred share unit. Mr. Isakson is the only named executive officer who elected to allocate a portion of his eligible deferred compensation to 40,000 deferred share units.

Potential Payments upon Termination or Change-in-Control

Change in Control Severance Agreements

To secure the continued service of our executives and to ensure their dedication and objectivity in the event of a change in control or threatened change in control, we previously entered into change in control severance agreements with our executives, including each of the NEOs. Each executive who is a party to a change in control severance agreement agreed that in the event of an attempted change in control the executive would not voluntarily resign until the attempt ends or 90 days after a change in control occurs.

A change in control means:

- an acquisition by a person or group of 25% or more of our common stock (other than an acquisition from or by the company or by a company benefit plan),
- a change in a majority of our Board,

- consummation of a reorganization, merger or consolidation or sale of substantially all of our assets (unless stockholders receive 60% or more of the stock of the resulting company) or

- a liquidation or dissolution of the company.

As previously described, a change in control of the Company occurred on July 24, 2007. Therefore, a termination of the employment of any named executive officer under certain circumstances within two years following that date may trigger payments under that officer's change in control severance agreement.

Upon a termination by the Company for cause, by the executive without good reason, or upon death or disability, we have no obligation to pay any prospective amounts or provide any benefits under the agreement. Our obligations will consist of those obligations accrued at the date of termination, including payment of earned salary, reimbursement of expenses and obligations which may otherwise be payable in the event of death or disability. Under these agreements, "cause" means a material breach by the executive of the duties and responsibilities of the executive which do not differ in any material respect from his duties and responsibilities during the 90-day period immediately prior to a Change in Control (other than as a result of incapacity due to physical or mental illness) which is demonstrably willful and deliberate on the executive's part, which is committed in bad faith or without reasonable belief that such breach is in the best interests of ServiceMaster and which is not remedied in a reasonable period of time after receipt of written notice from ServiceMaster specifying such breach and period of time; or the commission by the executive of a felony or misdemeanor involving any act of fraud, embezzlement or dishonesty or any other intentional misconduct by the executive that materially and adversely affects the business affairs or reputation of ServiceMaster or an affiliated company. "Good reason" means a material reduction in position, duties or responsibilities, a transfer of the executive's home office by more than 40 miles, a reduction in salary, a failure to maintain substantially comparable benefit or compensation plans or to provide benefits substantially comparable to other peer employees, or a failure by the Company to require a successor to assume our obligations under the agreement. The definition of "good reason" was amended pursuant to the Participation Agreements as further discussed below.

Participation Agreements. As a condition to participation in the 2007 offering under the MSIP, each participant party to a change in control severance agreement (among the NEOs, Mr. Spainhour, Mr. Martin, Mr. Sutton and Mr. Isakson) was required to enter into a Participation Agreement pursuant to which he consented to amendments to the definition of "good reason" under his change in control severance agreement, with the practical effect that any of the following may occur without triggering the participant's ability to terminate his employment for "good reason" and be entitled to benefits under his change in control severance agreement:

- the Company can choose not to re-elect such officer to any particular position, so long as the Company does not reduce his positions, duties and responsibilities in any material respect;

- such participant will not be entitled to guaranteed raises based on prior average raises to executive officers' base salaries;

- the Company can provide such participant with employee benefits and compensation plans that are comparable on an overall, rather than plan-by-plan, basis; and

- when the Company is required to provide such participant comparable benefits, the basis for comparison will be the benefits such participant received prior to the closing of the Merger, not benefits provided after closing or to other employees.

In the Participation Agreements, the participants also made the following important acknowledgments to the Company that affected their rights under the change in control severance agreements:

- the consummation of the Merger and any change between the participant's position and terms of employment as in effect before the Merger, compared with immediately thereafter, did not permit the participant to terminate his employment for "good reason" under his change in control severance agreement;

- any change that occurred to the participant's position and terms of employment after the consummation of the Merger, or any planned change to his position and terms of employment that had been communicated to him but not yet implemented, in each case at the time the participant entered into the Participation Agreement, did not permit the participant to terminate his employment for "good reason" under his change in control severance agreement;

- the officer's participation in the MSIP satisfied all of the Company's obligations to provide long-term incentive opportunities under his change in control severance agreement; and

- the annual bonus plan in which the officer participated on the date of his purchase of shares under the MSIP satisfied all of the Company's obligations to provide annual incentive opportunities under his change in control severance agreement.

Severance Benefits Payable to NEOs. If we terminate the employment of any NEO for a reason other than cause or if such NEO terminates his employment for good reason, in either case prior to July 24, 2009, we will pay to the NEO a lump sum cash payment consisting of:

- accrued salary through the date of termination,

- any unpaid previously earned ABP and CPP bonuses,

- any accrued and unpaid vacation pay,

- a pro rated ABP and CPP bonus through the date of termination based upon the target bonus amounts for the year in which the change in control occurs or, if higher, the year in which the date of termination occurs, and

- an amount equal to any unvested employer matching contributions under our 401(k) plan and nonqualified deferred compensation plan.

In addition, if any payment pursuant to the change in control severance agreements or otherwise would be subject to the excise tax imposed on excess parachute payments, then we agreed to make an additional payment (i.e., a gross-up payment) such that the executive would receive a net amount equal to the amount the executive would have received if the excise tax did not apply. When paid, these amounts are reported in the Summary Compensation Table as All Other Compensation. We are obligated to reimburse each executive, on a current basis, for all legal fees and expenses incurred in connection with a dispute under his or her change in control severance agreement. The executive must repay us if his or her claims are denied in total.

In addition to the payments described above, Mr. Spainhour would receive pursuant to his change in control severance agreement:

- one times his highest annual base salary during the prior 12 months plus 1/12th of such salary for each completed month of service from July 1, 2006, up to a maximum of 24 completed months (i.e., three times his highest annual base salary if the termination occurs on or after June 30, 2008), and

- one times his target annual bonus under the ABP for the year in which the change in control occurs plus 1/12th of such target bonus for each completed month of service from July 1, 2006,

up to a maximum of 24 completed months (i.e., three times his target annual bonus if the termination occurs on or after June 30, 2008).

In addition to the payments described above, Messrs. Martin and Isakson would receive pursuant to their change in control severance agreements:

- two times the executive's highest annual base salary in the 12 months prior to termination, and

- two times the executive's target ABP and CPP bonus immediately prior to the change in control, or if higher for the year of the termination, and medical and life insurance plan benefits for a two-year period following termination.

MSIP. If an executive's employment terminates with cause before there is a public offering of the shares, all options (vested and unvested) are immediately cancelled and Holdings and certain Equity Sponsors have the right to purchase shares owned by the executive at the lower of fair market value or the original cost of the shares to the executive.

If an executive's employment terminates involuntarily without cause before there is a public offering of the shares, all unvested options immediately terminate and Holdings and certain Equity Sponsors have the right to repurchase shares owned by the executive at fair market value. If Holdings and certain Equity Sponsors choose not to exercise their repurchase rights following an involuntary termination without cause, the executive may require Holdings to repurchase the shares at fair market value. Upon such a termination, the executive may exercise vested options before the first to occur of (i) the three month anniversary of the executive's termination of employment and (ii) the expiration of the options' normal term, after which date such options are cancelled.

If an executive's employment terminates voluntarily before there is a public offering of the shares, all unvested options are immediately cancelled and Holdings and certain Equity Sponsors have the right to purchase the shares at fair market value. Upon such a termination, the executive may exercise vested options before the first to occur of (i) the three month anniversary of the executive's termination of employment (one year anniversary in the case of retirement) and (ii) the expiration of the options' normal term, after which date such options are cancelled. If the executive's voluntary termination is because of the executive's retirement and if Holdings and certain Equity Sponsors choose not to exercise their repurchase rights, the executive may require Holdings to repurchase the shares at fair market value.

If an executive's employment terminates by reason of death or disability before there is a public offering of the shares, Holdings and certain Equity Sponsors have the right to purchase the shares at fair market value. Upon such termination, all options, whether or not vested, will become exercisable before the first to occur of (i) the one year anniversary of the executive's date of termination and (ii) the expiration of the options' normal term, after which date such options are cancelled.

The stock option agreements provide that the vesting of options to purchase shares of Holdings common stock granted will be accelerated if Holdings experiences a change in control (as defined in the MSIP), unless the Holdings Board of Directors reasonably determines in good faith that options with substantially equivalent or better terms are substituted for the existing options. The Holdings Board of Directors also has the discretion to accelerate the vesting of options at any time and from time to time.

Payment upon a Qualifying Termination as of December 31, 2007 Following the Change in Control

The following table sets forth information regarding the value of payments and other benefits payable by the Company to each of the NEOs employed by the Company as of December 31, 2007 in the event of a qualifying termination pursuant to the change in control severance agreements and otherwise. The amounts shown do not include deferred compensation payable in a lump sum upon the

six-month anniversary of the executive's termination as disclosed under "2007 Nonqualified Deferred Compensation." The amounts shown assume termination effective as of December 31, 2007.

Executive Officer	Severance Payment(1)	Health & Welfare(2)	Gross-Up Adjustment(3)	Total Payments Sum(1-3)
J. Patrick Spainhour	5,400,000	13,311	2,393,573	7,806,884
Ernest J. Mrozek(1)	7,049,560	22,144	2,888,797	9,960,501
Steven J. Martin	1,934,143	20,297	793,493	2,747,933
Dennis R. Sutton(1)	2,475,000	20,297	970,865	3,466,162
Michael M. Isakson	1,954,905	15,041	642,434	2,612,380

(1) Mr. Mrozek's and Mr. Sutton's employment with the Company ended on February 29, 2008, and September 9, 2008, respectively. The actual amounts awarded to Mr. Mrozek and Mr. Sutton in connection with their terminations are reported in the table below under "NEOs No Longer Employed by the Company."

NEOs No Longer Employed by the Company

In connection with the consolidation of our offices in Memphis, we determined that it was in our best interest to provide an incentive to our executives based in Downers Grove who were not relocating to Memphis to remain employed through their individual separation dates and assist with the consolidation. As a result, we entered into separation agreements with these executives, including Messrs. Mrozek, Engel and Kaput. Under these separation agreements, the executives agreed to remain employed through the separation dates set forth in their respective agreements. The separation date for Mr. Mrozek was February 29, 2008; the separation date for Mr. Engel was December 31, 2007; the separation date for Mr. Kaput was October 31, 2007.

As a result of the Merger, the NEOs in Downers Grove were entitled to the change in control severance benefits described above if the change in control occurred on or before the executive's scheduled separation date and either the executive was terminated without cause or resigned for good reason after the change in control. If the executive remained employed through his separation date, the relocation pursuant to the office consolidation would constitute good reason unless any acquirer affirmatively abandoned the consolidation. If an executive became entitled to the rights and obligations under his change in control severance agreement (as described above), the executive would have no rights or obligations under the separation agreement. Each executive received a lump sum severance payment under his respective change in control severance agreement instead of his separation agreement.

Scott J. Cromie

As a result of the change in control in connection with the Merger, and his subsequent separation effective August 31st, 2007, Mr. Cromie was entitled to change in control severance benefits for good reason.

Dennis R. Sutton

As a result of the change in control in connection with the Merger, and his subsequent separation effective September 12, 2008, Mr. Sutton was entitled to change in control severance benefits for good reason. Under the terms of the MSIP, Mr. Sutton's options to purchase shares of Holdings common stock, all of which were unvested, were canceled upon Mr. Sutton's termination of employment, and Holdings purchased Mr. Sutton's shares of Holdings common stock for fair market value.

In addition to the payments described in the first paragraph under "Severance Benefits Payable to NEOs" above, Messrs. Sutton, Mrozek, Engel, Kaput and Cromie received pursuant to their change in control severance agreements:

three times (two times, in the case of Mr. Sutton) the executive's highest annual base salary in the 12 months prior to termination,

three times (two times, in the case of Mr. Sutton) the executive's target ABP and CPP bonus immediately prior to the change in control, or if higher for the year of the termination, and medical and life insurance plan benefits for a three-year period following termination.

The following table sets forth information regarding the value of payments and other benefits paid by the Company to each of the NEOs whose employment terminated following the change in control pursuant to their respective change in control severance agreements. The amounts shown do not include deferred compensation payable in a lump sum upon the six-month anniversary of the executive's termination as disclosed under "2007 Nonqualified Deferred Compensation."

Executive Officer	Severance Payment(1)	Health & Welfare(2)	Gross-Up Adjustment(3)	Total Payments Sum(1-3)	Termination Date
Dennis R. Sutton	2,352,186	21,146	913,938	3,286,406	9/12/2008
Ernest J. Mrozek	5,994,378	22,144	2,372,815	8,389,337	2/29/2008
Mitchell T. Engel	4,320,050	22,144	1,988,661	6,330,855	12/31/2007
Jim L. Kaput	4,049,777	29,415	1,614,115	5,693,307	10/31/2007
Scott J. Cromie	3,662,322	28,897	1,457,259	5,148,478	8/31/2007

2007 Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Total ($)
Louis Giuliano(1)	57,500	57,500
Brian Griffiths(1)	57,500	57,500
Sidney Harris(1)	65,000	65,000
Roberto Herencia(1)	65,000	65,000
Betty Jane Hess(1)	57,500	57,500
Eileen Kamerick(1)	57,500	57,500
James McLennan(1)	57,500	57,500
Coleman Peterson(1)	61,250	61,250
David Wessner(1)	57,500	57,500
Kenneth Giuriceo(2)	0	0
David Wasserman(2)	0	0

(1) Each director received an annual retainer of $115,000, prorated for the partial year's service on the Board. The Chairman of the Audit and Finance Committee received an additional retainer of $15,000, the Chairman of the Compensation and Leadership Development Committee and the Chairman of the Governance and Nominating Committee each received an additional retainer of $7,500, and the presiding director received an additional retainer of $7,500.

These directors resigned effective July 24, 2007, in connection with the Merger.

(2) These directors were elected effective July 24, 2007, by the new shareholder of ServiceMaster. They are employed by CD&R and do not receive additional compensation for service on our Board of Directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

CDRSVM Holding, Inc. owns all of the outstanding common stock of The ServiceMaster Company. CDRSVM Investment Holding, Inc. owns all of the outstanding common stock of CDRSVM Holding, Inc. ServiceMaster Global Holdings, Inc. ("Holdings") owns all of the outstanding common stock of CDRSVM Investment Holding, Inc. Investment funds associated with or designated by the Equity Sponsors, together with certain of our executives and other key employees, own all of the common stock of Holdings.

The following table sets forth information as of September 30, 2008 with respect to the ownership of the common stock of Holdings by:

- each person known to own beneficially more than 5% of the common stock of Holdings;
- each of our directors;
- each of the executive officers named in the Summary Compensation Table appearing on page 91 of this prospectus; and
- all of our executive officers and directors as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of regulations of the Securities and Exchange Commission ("SEC") governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in these footnotes, each of the beneficial owners listed has, to our knowledge, sole voting and investment power with respect to the indicated shares of common stock.

Unless otherwise indicated, the address for each individual listed below is The ServiceMaster Company, 860 Ridge Lake Boulevard, Memphis, Tennessee 38120.

Name of Beneficial Owner	Number of Shares Owned	Percent of Class (%)
Clayton, Dubilier & Rice Fund VII, L.P. and related funds(1)	90,610,000	58.25
Citigroup Private Equity LP managed funds(2)	25,000,000	16.07
BAS Capital Funding Corporation and related funds(3)	17,500,000	11.25
J.P. Morgan Ventures Corporation(4)	10,000,000	6.43
Kenneth A. Giuriceo(5)	0	0
David H. Wasserman(5)	0	0
J. Patrick Spainhour	300,000	*
Ernest J. Mrozek	0	0
Steven J. Martin	50,000	*
Mitchell T. Engel	0	0
Michael M. Isakson	60,000	*
Dennis R. Sutton(6)	50,000	*
Scott Cromie	0	0
Jim L. Kaput	0	0
All current directors and executive officers as a group (15 persons)(7)	750,100	*

* Less than one percent.

(1) Represents shares held by the following group of investment funds associated with or designated by Clayton, Dubilier & Rice, Inc.: (i) 60,000,000 shares of common stock held by Clayton, Dubilier & Rice Fund VII, L.P., whose general partner is CD&R Associates VII, Ltd., whose sole stockholder is CD&R Associates VII, L.P., whose general partner is CD&R Investment Associates VII, Ltd.; (ii) 14,682,792 shares of common stock held by Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P., whose general partner is CD&R Associates VII (Co-Investment), Ltd., whose sole stockholder is CD&R Associates VII, L.P., whose general partner is CD&R Investment Associates VII, Ltd.; (iii) 10,500,000 shares of common stock held by CDR SVM Co-Investor L.P., whose general partner is CDR SVM Co-Investor GP Limited, whose sole stockholder is Clayton, Dubilier & Rice Fund VII, L.P.; (iv) 5,000,000 shares of common stock held by CDR SVM Co-Investor No. 2 L.P., whose general partner is CDR SVM Co-Investor No. 2 GP Limited, whose sole stockholder is Clayton, Dubilier & Rice Fund VII, L.P.; and (v) 427,208 shares of common stock held by CD&R Parallel Fund VII, L.P., whose general partner is CD&R Parallel Fund Associates VII, Ltd. CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd. are each managed by a three-person board of directors, and all board action relating to the voting or disposition of these shares requires approval of a majority of the board. Joseph L. Rice, III, Donald J. Gogel and Kevin J. Conway, as the directors of CD&R Investment Associates VII, Ltd. and CD&R Parallel Fund Associates VII, Ltd., may be deemed to share beneficial ownership of the shares shown as beneficially owned by the funds associated with Clayton, Dubilier & Rice, Inc. Such persons disclaim such beneficial ownership.

Each of CD&R Associates VII, Ltd., CD&R Associates VII, L.P. and CD&R Investment Associates VII, Ltd. expressly disclaims beneficial ownership of the shares held by Clayton, Dubilier & Rice Fund VII, L.P., as well as of the shares held by each of Clayton, Dubilier & Rice Fund VII (Co-Investment) VII, L.P., CD&R Parallel Fund VII, L.P., CDR SVM Co-Investor L.P. and CDR SVM Co-Investor No. 2 L.P. Each of CDR SVM Co-Investor GP Limited and CDR SVM No. 2 GP Limited expressly disclaims beneficial ownership of the shares held by each of CDR SVM Co-Investor L.P., Clayton, Dubilier & Rice Fund VII, L.P., Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P., CD&R Parallel Fund VII, L.P., and CDR SVM Co-Investor

No. 2 L.P. CD&R Parallel Fund Associates VII, Ltd. expressly disclaims beneficial ownership of the shares held by each of CD&R Parallel Fund VII, L.P., Clayton, Dubilier & Rice Fund VII, L.P., Clayton, Dubilier & Rice Fund VII (Co-Investment) VII, L.P., CDR SVM Co-Investor L.P. and CDR SVM Co-Investor No. 2 L.P.

The address for each of Clayton, Dubilier & Rice Fund VII, L.P., Clayton, Dubilier & Rice Fund VII (Co-Investment), L.P., CD&R Parallel Fund VII, L.P., CD&R Associates VII, Ltd., CD&R Associates VII, L.P. and CD&R Parallel Fund Associates VII, Ltd. is 1403 Foulk Road, Suite 106, Wilmington, DE 19803. The address for each of CDR SVM Co-Investor L.P., CDR SVM Co-Investor L.P., CDR SVM Co-Investor No. 2 L.P. and CD&R Investment Associates VII, Ltd. is c/o M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

(2) Represents shares held by Citigroup Capital Partners II 2007 Citigroup Investment L.P., Citigroup Capital Partners II Employee Master Fund, L.P., Citigroup Capital Partners II Onshore, L.P., Citigroup Capital Partners II Cayman Holding, L.P., and CPE Co-Investment (ServiceMaster) LLC, each an affiliate of Citigroup Inc.

(3) Represents shares held BAS Capital Funding Corporation, Banc of America Capital Investors V, LP, and BACSVM-A, LP, each an affiliate of Bank of America Corporation. BAS Capital Funding Corporation has the right to and may transfer shares of Holdings' common stock to one or more entities controlling, controlled by or under common control with BAS Capital Funding Corporation.

(4) J.P. Morgan Ventures Corporation is an affiliate of JPMorgan Chase & Co.

(5) Does not include common stock held by investment funds associated with or designated by Clayton, Dubilier & Rice Inc. Messrs. Giuriceo and Wasserman are directors of The ServiceMaster Company and Holdings and executives of Clayton, Dubilier & Rice, Inc. They disclaim beneficial ownership of the shares held by investment funds associated with or designated by Clayton, Dubilier & Rice, Inc.

(6) On October 7, 2008, Holdings purchased Mr. Sutton's shares of Holdings common stock for fair market value.

(7) All employees of the Company as a group held 2,168,538 shares of common stock as of September 30, 2008, constituting 1.39% of the total ownership of Holdings.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policies and Procedures for Related Person Transaction

In 2007, our Board approved policies and procedures with respect to the review and approval of certain transactions between ServiceMaster and a "Related Person" (a "Related Person Transaction"), which we refer to as our "Related Person Transaction Policy". Pursuant to the terms of the Related Person Transaction Policy, the Board must review and decide whether to approve or ratify any Related Person Transaction. Any Related Person Transaction is required to be reported to our legal department and the legal department will determine whether it should be submitted to the Board for consideration.

For the purposes of the Related Person Transaction Policy, a "Related Person Transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which ServiceMaster (including any of its subsidiaries) was, is or will be a participant and the amount involved exceeds $120,000, and in which any Related Person had, has or will have a direct or indirect interest.

A "Related Person" as defined in the Related Person Transaction Policy, means any person who is, or at any time since the beginning of ServiceMaster's last fiscal year was, a director or executive officer of ServiceMaster or a nominee to become a director of ServiceMaster; any person who is known to be the beneficial owner of more than 5% of ServiceMaster's or its parent or affiliate's common stock; any immediate family member of any of the foregoing persons, including any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and any firm, corporation or other entity in which any of the foregoing persons is a general partner or, for other ownership interests, a limited partner or other owner in which such person has a beneficial ownership interest of 10% or more.

Litigation Program

Hinshaw & Culbertson has served as ServiceMaster's primary counsel in our national litigation program for our general and automobile liability risks since 2004. Total fees paid to Hinshaw & Culbertson for 2007 in connection with our national litigation program were approximately $5.5 million. Donald Mrozek, Esq., Chairman of Hinshaw & Culbertson, is the brother of Ernest Mrozek, our former Vice Chairman and Chief Financial Officer. Hinshaw & Culbertson served as one of our casualty program law firms prior to Ernest Mrozek's becoming employed by ServiceMaster. Ernest Mrozek did not have management responsibility for our litigation program.

Stockholders Agreement

On the Closing Date of the Merger, Holdings entered into a stockholders agreement (the "Stockholders Agreement") with investment funds associated with or designated by the Equity Sponsors. The Stockholders Agreement contains agreements that entitle investment funds associated with each of the Equity Sponsors to elect (or cause to be elected) all of Holdings' directors. The directors include three designees of investment funds associated with CD&R (one of whom shall serve as the chairman and each of whom is entitled to three votes), one designee of BAS Capital Funding Corporation, and one designee of investment funds associated with Citigroup Private Equity LP, subject to adjustment in the case investment funds associated with or designated by certain of the Equity Sponsors sell more than a specified amount of their shareholdings in Holdings. The Stockholders Agreement provides for our chief executive officer to be a director of Holdings, as well as his successor as chief executive officer, subject to the approval of the Holdings board and Clayton, Dubilier & Rice Fund VII, L.P. (the "Lead Investor"). The Stockholders Agreement grants to investment funds associated with the Equity Sponsors special governance rights, including rights of approval over certain corporate and other transactions. The Stockholders Agreement also gives investment funds associated

with the Equity Sponsors preemptive rights with respect to certain issuances of equity securities of Holdings and its subsidiaries, including ServiceMaster, subject to certain exceptions, and contains restrictions on the transfer of shares of Holdings, as well as tag-along rights and rights of first offer.

Registration Rights Agreement

On the closing date of the Merger, Holdings entered into a registration rights agreement, or the "Registration Rights Agreement," with investment funds associated with or designated by the Equity Sponsors. The Registration Rights Agreement grants to certain of these investment funds the right, in the case of the Lead Investor at any time and in the case of the other Equity Sponsors at least 18 months following the initial public offering of Holdings common stock, to cause Holdings, at its own expense, to use its best efforts to register such securities held by the investment funds for public resale, subject to certain limitations. In the event Holdings registers any of its common stock following its initial public offering, these investment funds also have the right to require Holdings to use its best efforts to include shares of common stock of Holdings held by them, subject to certain limitations, including as determined by the underwriters. The Registration Rights Agreement also provides for Holdings to indemnify the investment funds party to that agreement and their affiliates in connection with the registration of Holdings' securities.

Consulting Agreement; Transaction Fee Agreement

On the closing date of the Merger, Holdings and the ServiceMaster Company entered into a consulting agreement, or the "Consulting Agreement," with CD&R, pursuant to which CD&R provides Holdings and its subsidiaries with financial advisory and management consulting services. Pursuant to the Consulting Agreement, Holdings will pay or cause to be paid to CD&R an annual fee of $2 million for such services, plus expenses, unless the Equity Sponsors (or the disinterested directors of Holdings) agree to a higher amount, and Holdings will also pay to CD&R a fee for certain types of future transactions that Holdings or its subsidiaries complete. If an individual designated by CD&R serves in an executive management position, Holdings will pay CD&R an additional fee to be reasonably determined by CD&R, but not to exceed the amount of the annual fee then in effect.

In connection with the Merger, Holdings and ServiceMaster entered into a Transaction Fee Agreement, pursuant to which they paid an aggregate fee of $55 million to the Equity Sponsors and reimbursed certain expenses of the Equity Sponsors and their affiliates.

Indemnification Agreements

Holdings and ServiceMaster have entered into indemnification agreements with the Equity Sponsors and Holdings stockholders affiliated with the Equity Sponsors, pursuant to which Holdings and ServiceMaster will indemnify the Equity Sponsors, the Holdings stockholders affiliated with the Equity Sponsors and their respective affiliates, directors, officers, partners, members, employees, agents, representatives and controlling persons, against certain liabilities arising out of performance of the consulting agreement and transaction fee agreement described above under " Consulting Agreement; Transaction Fee Agreement" and certain other claims and liabilities, including liabilities arising out of financing arrangements and securities offerings.

Director Independence

Though not formally considered by our Board because our common stock is no longer registered with the SEC or traded on any national securities exchange, based upon the listing standards of the NYSE, the national securities exchange upon which our common stock was traded prior to the Merger, we do not believe that either of our directors would be considered "independent" because of their relationships with CD&R. See "Consulting Agreement; Transaction Fee Agreement" above.

DESCRIPTION OF OTHER INDEBTEDNESS

Term Loan Facility

In connection with the Merger, we entered into a credit agreement, dated as of July 24, 2007, with respect to the Term Loan Facility, with Citibank, N.A. as administrative agent, collateral agent and LC facility issuing bank, JPMorgan Chase Bank, N.A., as syndication agent and a syndicate of lenders party thereto from time to time. The following is a brief description of the principal terms of the term loan credit agreement and related documents governing the Term Loan Facility.

Overview

The Term Loan Facility consists of a $2,650 million term loan facility, the proceeds of which were used to finance a portion of the transactions in connection with the Merger, including the refinancing of certain existing indebtedness. The term loan credit agreement also provides for a pre-funded synthetic letter of credit facility in an aggregate principal amount of $150 million. As of June 30, 2008, we had $2,623.5 million in term loan borrowings outstanding under the Term Loan Facility, $143 million in proceeds of the synthetic letter of credit facility on deposit and available for letters of credit on terms and conditions set forth in the term loan credit agreement, and $7 million in face amount of undrawn letters of credit outstanding under the synthetic letter of credit facility.

Maturity; Prepayments

The Term Loan Facility matures July 24, 2014 and amortizes in nominal quarterly installments equal to $6.6 million until the maturity date.

Subject to certain exceptions, the Term Loan Facility is subject to mandatory prepayment in amount equal to:

- the net proceeds of (1) certain asset sales, (2) certain debt offerings and (3) certain insurance recovery and condemnation events; and

- 50% of annual excess cash flow (as defined in the term loan credit agreement) for any fiscal year unless a certain leverage ratio target is met.

Guarantees; Security

ServiceMaster is the borrower under the Term Loan Facility. The direct parent of ServiceMaster and each direct and indirect domestic subsidiary of ServiceMaster (other than any subsidiary that is a foreign subsidiary holding company, a subsidiary of a foreign subsidiary, an unrestricted subsidiary, any subsidiary below a certain materiality threshold, a receivables financing subsidiary, a subsidiary subject to regulation as an insurance, home warranty, service contract or similar company (or any subsidiary thereof) and certain other specified subsidiaries) have guaranteed ServiceMaster's obligations under the Term Loan Facility. The Term Loan Facility and the guarantees thereof are secured by substantially all of the tangible and intangible assets of ServiceMaster and the guarantors (including pledges of (1) a $100 million intercompany promissory note made by The Terminix International Company Limited Partnership in favor of ServiceMaster Consumer Services Limited Partnership and (2) all the capital stock of all direct domestic subsidiaries (other than foreign subsidiary holding companies, which are deemed to be foreign subsidiaries) owned by ServiceMaster or any guarantor and of up to 65% of the capital stock of each direct foreign subsidiary owned by ServiceMaster or any guarantor), subject to certain exceptions, including but not limited to exceptions for equity interests, indebtedness or other obligations of subsidiaries, real estate or any other assets if the granting of a security interest therein would require that the notes described under "Continuing Notes" below be secured. The Term Loan Facility is secured on a *pari passu* basis with the security interests created in the same collateral securing the Revolving Credit Facility.

Interest

The interest rates applicable to the loans under the Term Loan Facility are based on a fluctuating rate of interest measured by reference to either, at the borrower's option, (i) an adjusted London inter-bank offered rate plus a borrowing margin, or (ii) an alternate base rate plus a borrowing margin.

Fees

ServiceMaster pays (1) letter of credit participation fees on the full amount of the synthetic letter of credit facility plus fronting fees for the letter of credit issuing bank and (2) other customary fees in respect of the Term Loan Facility.

Covenants

The term loan credit agreement contains a number of negative covenants that, among other things, limit or restrict the ability of ServiceMaster and its material restricted subsidiaries to:

- incur additional debt (including guarantees of other debt);
- pay dividends or make other restricted payments, including investments;
- prepay or amend the terms of the Notes or the continuing notes;
- enter into certain types of transactions with affiliates;
- sell certain assets, or, in the case of ServiceMaster, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;
- create liens; and
- enter into agreements restricting dividends or other distributions by subsidiaries to ServiceMaster.

The term loan credit agreement also contains certain affirmative covenants, including financial and other reporting requirements.

Events of Default

The term loan credit agreement provides for customary events of default, including non-payment of principal, interest or fees, violation of covenants, material inaccuracy of representations or warranties, specified cross payment default and cross acceleration to other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of guarantees or security interests, material judgments and change of control.

Revolving Credit Facility

In connection with the Merger, we also entered into a revolving credit agreement, dated as of July 24, 2007, with respect to the Revolving Credit Facility, with Citibank, N.A. as administrative agent, revolving collateral agent and issuing bank, JPMorgan Chase Bank, N.A., as syndication agent and a syndicate of lenders party thereto from time to time. The following is a brief description of the principal terms of the revolving credit agreement and related documents governing the Revolving Credit Facility.

Overview

The Revolving Credit Facility provides for senior secured revolving loans up to a maximum aggregate principal amount of $500 million. Up to $75 million of the Revolving Credit Facility is available for the issuance of stand-by and commercial credit. Amounts under the Revolving Credit Facility may be borrowed in certain designated foreign currencies up to a principal amount not to exceed $50 million, and revolving

credit loans to foreign subsidiary borrowers may not exceed $50 million. No amounts were drawn under the Revolving Credit Facility to finance the Transactions.

As of June 30, 2008, there were no amounts outstanding under this facility. As of September 30, 2008, the amount outstanding under this facility was $165 million.

Maturity; Prepayments

The final maturity date of the Revolving Credit Facility is July 24, 2013. The Revolving Credit Facility is not subject to mandatory prepayment.

Guarantees; Security

ServiceMaster and certain of its U.S. subsidiaries are the domestic borrowers under the Revolving Credit Facility. One or more foreign subsidiaries of ServiceMaster may become borrowers under the Revolving Credit Facility on the terms and conditions in the revolving credit agreement. The direct parent of each domestic borrower and each domestic subsidiary of ServiceMaster (other than any subsidiary that is a foreign subsidiary holding company, a subsidiary that is a subsidiary of a foreign subsidiary, an unrestricted subsidiary, any subsidiary below a certain materiality threshold, a receivables financing subsidiary, a subsidiary subject to regulation as an insurance, home warranty, service contract or similar company (or any subsidiary thereof) and certain other specified subsidiaries) have guaranteed the domestic borrowers' obligations under the Revolving Credit Facility. With respect to any non-U.S. borrower, certain non-U.S. subsidiaries may be required to provide a guarantee of its borrowings (subject to certain limitations), and such borrowings shall be guaranteed by the U.S. guarantors. The Revolving Credit Facility and the guarantees thereof are secured by the same collateral securing the Term Loan Facility, on a *pari passu* basis with the security interests created in the same collateral securing the Term Loan Facility. If any non-U.S. borrower is included, certain assets of such non-U.S. borrower and related non-U.S. subsidiary guarantors may be similarly pledged to the extent such pledge may be obtained without material cost or expense, and subject to legal and certain other limitations.

Interest

The interest rates applicable to the loans under the Revolving Credit Facility are based on a fluctuating rate of interest measured by reference to either, at the borrower's option, (i) an adjusted London inter-bank offered rate (or, in the case of loans made in Euros, an adjusted Euro inter-bank offered rate) plus a borrowing margin or (ii) an alternate base rate plus a borrowing margin.

Fees

The borrowers pay customary fees in respect of the Revolving Credit Facility, including a commitment fee on the unutilized portion thereof.

Covenants

The revolving credit agreement contains a number of negative covenants that, among other things, limit or restrict the ability of ServiceMaster and its material restricted subsidiaries to:

- incur additional indebtedness (including guarantees of other indebtedness);
- pay dividends or make other restricted payments, including investments;
- make acquisitions;
- prepay or amend the terms of the Notes or the continuing Notes;
- enter into certain types of transactions with affiliates;
- sell certain assets, or, in the case of any borrower, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets;

create liens;

change their business or ServiceMaster's fiscal year; and

enter into agreements restricting their ability to incur liens securing the Revolving Credit Facility.

The revolving credit agreement also contains certain affirmative covenants, including financial and other reporting requirements.

Events of Default

The revolving credit agreement provides for customary events of default, including non-payment of principal, interest or fees, violation of covenants, material inaccuracy of representations or warranties, cross default to other material indebtedness, certain bankruptcy events, certain ERISA events, material invalidity of guarantees or security interests, material judgments and change of control.

Continuing Notes

As of June 30, 2008, ServiceMaster had outstanding approximately $357 million aggregate principal amount of continuing notes, consisting of approximately $195 million aggregate principal amount of the existing 2027 notes, $79 million aggregate principal amount of the existing 2018 notes and $83 million aggregate principal amount of the existing 2038 notes.

Ranking

The continuing notes rank *pari passu* with all other unsubordinated indebtedness of ServiceMaster.

Optional Redemption

ServiceMaster may redeem the existing 2018 notes, existing 2027 notes or existing 2038 notes, upon not less than 30 or more than 60 days prior written notice, at any time, at a redemption price equal to the greater of (i) 100% of their principal amount or (ii) the sum of the present values of the remaining scheduled payments (as defined) thereon discounted to the redemption date, on a semi-annual basis, at the treasury yield (as defined) plus 20 basis points, together with all accrued but unpaid interest, if any, to the date of redemption.

Covenants

The indenture governing the continuing notes contains certain covenants that, among other things, limit ServiceMaster's and ServiceMaster's significant subsidiaries' (as defined) ability to create certain liens, enter into certain sale and lease back transactions, and, with respect to ServiceMaster, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets.

Events of Default

The indenture governing the continuing notes provide for customary events of default including non-payment of principal or interest, failure to comply with covenants, and certain bankruptcy or insolvency events.

Receivables Facility

We have an arrangement enabling us to sell, on a revolving basis, certain receivables to unrelated third party purchasers. The agreement is a 364-day facility that is renewable at the option of the receivables financing subsidiary of ServiceMaster, with a final termination date of July 17, 2012. Subject to eligibility requirements, we may sell up to $50 million of our receivables to these purchasers. The amount of the eligible receivables varies during the year based on seasonality of our business that will at times limit the amount available to us.

DESCRIPTION OF NOTES

General

The Notes were issued under an Indenture, dated as of July 24, 2008 (the "Indenture"), among the Company, the Subsidiary Guarantors from time to time parties thereto and Wilmington Trust FSB, as trustee (the "Trustee").

The Indenture contains provisions that define your rights and govern the obligations of the Company under the Notes. The Indenture is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

The following is a summary of certain provisions of the Indenture and the Notes. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein and those terms to be made a part thereof by the Trust Indenture Act of 1939, as amended. The term "Company" and the other capitalized terms defined in " Certain definitions" below are used in this "Description of Notes" as so defined. Any reference to a "Holder" or a "Noteholder" in this "Description of Notes" refers to the Holders of the Notes.

Brief description of the Notes

The Notes are:

- unsecured Senior Indebtedness of the Company;
- effectively subordinated to all secured Indebtedness of the Company to the extent of the value of the assets securing such secured Indebtedness and to all Indebtedness and other liabilities (including trade payables) of the Company's Subsidiaries (other than Subsidiaries that are or become Subsidiary Guarantors pursuant to the provisions described below under " Subsidiary Guarantees");
- *pari passu* in right of payment with all existing and future Senior Indebtedness of the Company; and
- senior in right of payment to all existing and future Subordinated Obligations of the Company.

Brief description of the Subsidiary Guarantees

The Subsidiary Guarantees of each Subsidiary Guarantor in respect of the Notes are:

- unsecured Senior Indebtedness of such Subsidiary Guarantor;
- effectively subordinated to all secured Indebtedness of such Subsidiary Guarantor to the extent of the value of the assets securing such secured Indebtedness;
- *pari passu* in right of payment with all existing and future Senior Indebtedness of such Subsidiary Guarantor; and
- senior in right of payment to all existing and future Guarantor Subordinated Obligations of such Subsidiary Guarantor.

Principal, maturity and interest

The Notes will mature on July 15, 2015. Interest on the Notes will accrue at the applicable rate per annum specified below from July 24, 2008, or from the most recent date to which interest has been paid or provided for. Interest is payable semi-annually in arrears to Holders of record at the close of

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business on the January 1 or July 1 immediately preceding the interest payment date on January 15 and July 15 of each year, commencing, January 15, 2009. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The aggregate principal amount of the Notes is $1,150,000,000. Additional securities may be issued under the Indenture in one or more series from time to time ("Additional Notes"), subject to the limitations set forth under " Certain covenants Limitation on Indebtedness," which will vote as a class with the Notes and otherwise be treated as Notes for purposes of the Indenture.

For any semi-annual interest period through July 15, 2011, the Company may, at its option, elect to pay interest on the Notes (1) entirely in cash ("Cash Interest"), (2) entirely by increasing the principal amount of the outstanding Notes ("PIK Interest") or (3) 50% as Cash Interest and 50% as PIK Interest. Cash Interest shall accrue on the Notes for each day during such interest period at a rate per annum equal to 10.75% (the "Cash Interest Rate"). PIK Interest shall accrue on the Notes for each day during such interest period at a rate per annum equal to 11.50%, which is the Cash Interest Rate plus 75 basis points. Interest payable after July 15, 2011 shall be payable in the form of Cash Interest.

To elect the form of interest payment on the Notes with respect to any semi-annual interest period through July 15, 2011, the Company shall give the Trustee written notice of such election (an "Election Notice") not less than five Business Days prior to the commencement of the related interest period. Each Election Notice shall include information to the following effect: (1) the relevant interest payment date; (2) whether interest shall be paid on such interest payment date entirely as Cash Interest, entirely as PIK Interest or 50% as Cash Interest and 50% as PIK Interest; and (3) in the case of any PIK Payment (as defined below), the increase in the principal amount of the Notes to be effective upon the relevant interest payment date as a result of such PIK Payment and the principal amount of the Notes outstanding as of such interest payment date giving effect to such PIK Payment, as determined in accordance with the Indenture. The Trustee shall promptly deliver a corresponding notice to the Holders. In the absence of such an election for any semi-annual interest period with respect to the Notes, interest on the Notes shall be payable entirely in the form specified in the most recent Election Notice given by the Company to the Trustee. The Company has elected to pay interest due and payable on January 15, 2009 entirely in the form of Cash Interest.

PIK Interest shall be payable on the related interest payment date by increasing the principal amount of the outstanding Notes by an amount equal to the amount of PIK Interest for the applicable semi-annual interest period (a "PIK Payment"), as hereinafter provided. If the Company elects to pay 50% as Cash Interest and 50% as PIK Interest, such Cash Interest and PIK Interest shall be paid to Holders of Notes pro rata in accordance with their interests. Following an increase in the principal amount of the outstanding Notes as a result of a PIK Payment, the Notes shall accrue interest on such increased principal amount from and after the related interest payment date of such PIK Payment. On the interest payment date for such PIK Payment, the principal amount of each Note shall be increased by the amount of the PIK Interest payable, rounded up to the nearest $1.00, for the relevant semi-annual interest period on the principal amount of such Note as of the relevant regular record date for such interest payment date, to the credit of the Holders of such Notes on such regular record date, pro rata in accordance with their interests, automatically without any further action by any Person. In the case of the Global Notes, such increase in principal amount shall be recorded in the Note Registrar's books and records and in the schedule to the Global Notes in accordance with the Indenture. Alternatively, the Company may elect, at its option, to issue a new Note or new Notes having a principal amount equal to the amount of the PIK Payment.

Interest that is paid in the form of PIK Interest shall be considered paid or duly provided for, for all purposes of the Indenture, and shall not be considered overdue. References herein and in the

Indenture to the "principal amount" of the Notes shall include increases in the principal amount of the outstanding Notes as a result of any PIK Payment.

Other Terms

Principal of, and premium, if any, and interest on, the Notes will be payable, and such Notes may be exchanged or transferred, at the office or agency of the Company maintained for such purposes (which initially shall be the corporate trust office of the Trustee), except that, at the option of the Company, payment of Cash Interest may be made by wire transfer of immediately available funds to the account designated to the Company by the Person entitled thereto or by check mailed to the address of the Person entitled thereto as such address appears in the Note Register.

The Notes will be issued in the form of Global Notes that will be deposited upon issuance with the Trustee as custodian for The Depository Trust Company, and purchasers of Notes will not receive or be entitled to receive physical, certificated Notes (except in the very limited circumstances described herein). The Notes will be issued only in fully registered form, without coupons. The Notes will be issued only in minimum denominations of $2,000 or, if greater at the Issue Date, the dollar equivalent of €1,000 rounded up to the nearest $1,000 (the "Minimum Denomination") and integral multiple of $1.00 in excess thereof, subject to the provisions of the Indenture in respect of increases in principal amount of Notes resulting from any PIK Payment.

Redemption

Optional Redemption

The Notes will be redeemable, at the Company's option, at any time prior to maturity at varying redemption prices in accordance with the applicable provisions set forth below.

The Notes will be redeemable, at the Company's option, in whole or in part, at any time and from time to time on and after July 15, 2011 and prior to maturity at the applicable redemption price set forth below. Such redemption may be made upon notice mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date. The Company may provide in such notice that payment of the redemption price and the performance of the Company's obligations with respect to such redemption may be performed by another Person. Any such redemption and notice may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the occurrence of a Change of Control. The Notes will be so redeemable at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, to the relevant redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on July 15 of the years set forth below:

Redemption Period	Price
2011	105.3750%
2012	102.6875%
2013 and thereafter	100.0000%

In addition, the Indenture provides that at any time and from time to time on or prior to July 15, 2010, the Company at its option may redeem Notes in an aggregate principal amount equal to up to 35% of the original aggregate principal amount of the Notes (including the principal amount of any Additional Notes), with funds in an equal aggregate amount (the "Redemption Amount") not exceeding the aggregate proceeds of one or more Equity Offerings (as defined below), at a redemption price (expressed as a percentage of principal amount thereof) of 110.75%, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record

date to receive interest due on the relevant interest payment date); *provided, however*, that an aggregate principal amount of Notes equal to at least 65% of the original aggregate principal amount of Notes (including the principal amount of any Additional Notes) must remain outstanding after each such redemption of Notes.

"Equity Offering" means a sale of Capital Stock (x) that is a sale of Capital Stock of the Company (other than Disqualified Stock), or (y) proceeds of which in an amount equal to or exceeding the Redemption Amount are contributed to the equity capital of the Company or any of its Restricted Subsidiaries. The Company may make such redemption upon notice mailed by first-class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the redemption date (but in no event more than 180 days after the completion of the related Equity Offering). The Company may provide in such notice that payment of the redemption price and performance of the Company's obligations with respect to such redemption may be performed by another Person. Any such notice may be given prior to the completion of the related Equity Offering, and any such redemption or notice may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the completion of the related Equity Offering.

At any time prior to July 15, 2011, the Notes may also be redeemed or purchased (by the Company or any other Person) in whole or in part, at the Company's option, at a price (the "Redemption Price") equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued but unpaid interest, if any, to, the date of redemption or purchase (the "Redemption Date") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date). Such redemption or purchase may be made upon notice mailed by first class mail to each Holder's registered address, not less than 30 nor more than 60 days prior to the Redemption Date. The Company may provide in such notice that payment of the Redemption Price and performance of the Company's obligations with respect to such redemption or purchase may be performed by another Person. Any such redemption, purchase or notice may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent, including but not limited to the occurrence of a Change of Control.

"Applicable Premium" means, with respect to a Note at any Redemption Date, the greater of (i) 1.0% of the principal amount of such Note and (ii) the excess of (A) the present value at such Redemption Date of (1) the redemption price of such Note on July 15, 2011 plus (2) all required remaining scheduled interest payments due on such Note through such date (excluding accrued but unpaid interest to the Redemption Date), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such Redemption Date. Calculation of the Applicable Premium will be made by the Company or on behalf of the Company by such Person as the Company shall designate; *provided* that such calculation shall not be a duty or obligation of the Trustee.

"Treasury Rate" means, with respect to a Redemption Date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such Redemption Date to July 15, 2011; *provided, however*, that if the period from the Redemption Date to such date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Redemption Date to such date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Mandatory Redemption

If the Notes would otherwise constitute "applicable high yield discount obligations" within the meaning of Section 163(i)(1) of the Code, at the end of each tax accrual period beginning with the first tax accrual period ending after July 24, 2012 (each, an "AHYDO Redemption Date"), the Company will be required to redeem for cash a portion of each such Note then outstanding equal to the Mandatory Principal Redemption Amount (as defined below) with respect to such accrual period (such redemption, a "Mandatory Principal Redemption"). The redemption price for the portion of each Note redeemed pursuant to a Mandatory Principal Redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The "Mandatory Principal Redemption Amount" with respect to an accrual period means the portion of a Note required to be redeemed to prevent such Note from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the Notes prior to an AHYDO Redemption Date pursuant to any other provision of the Indenture will alter the Company's obligation to make a Mandatory Principal Redemption with respect to any Notes that remain outstanding on such AHYDO Redemption Date.

Selection

In the case of any partial redemption, selection of the Notes for redemption will be made by the Trustee not more than 60 days prior to the Redemption Date on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate, although no Note with an original principal amount equal to or less than the Minimum Denomination will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note.

Subsidiary Guarantees

The Notes are guaranteed by certain of the Company's Domestic Subsidiaries that also guarantee the Senior Credit Facilities. The Notes are not guaranteed by any of the Company's non-U.S. Subsidiaries, any Subsidiary of the Company subject to regulation as an insurance, home warranty, service contract or similar company, or certain other Subsidiaries of the Company.

The Company will cause each Domestic Subsidiary that guarantees (x) payment of any Indebtedness of the Company or any Subsidiary Guarantor under any Credit Facility and that is a Wholly Owned Domestic Subsidiary or (y) Capital Markets Securities, to execute and deliver to the Trustee within 30 days a supplemental indenture or other instrument pursuant to which such Domestic Subsidiary will guarantee payment of the Notes, whereupon such Domestic Subsidiary will become a Subsidiary Guarantor for all purposes under the Indenture. In addition, the Company may cause any Subsidiary that is not a Subsidiary Guarantor so to guarantee payment of the Notes and become a Subsidiary Guarantor.

Each Subsidiary Guarantor, as primary obligor and not merely as surety, jointly and severally, irrevocably and fully and unconditionally Guarantees, on an unsecured senior basis, the punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all monetary obligations of the Company under the Indenture and the Notes, whether for principal of or interest on the Notes, expenses, indemnification or otherwise (all such obligations guaranteed by such Subsidiary Guarantors being herein called the "Subsidiary Guaranteed Obligations"). Such Subsidiary Guarantor has agreed to pay, in addition to the amount stated above, any and all reasonable out-of-pocket expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Holders in enforcing any rights under its Subsidiary Guarantee.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount, as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor (including but not limited to any Guarantee by it of any Bank Indebtedness) and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Subsidiary Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Subsidiary Guarantor under the Subsidiary Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law, or being void or unenforceable under any law relating to insolvency of debtors.

Each such Subsidiary Guarantee shall be a continuing Guarantee and shall (i) remain in full force and effect until payment in full of the principal amount of all outstanding Notes (whether by payment at maturity, purchase, redemption, defeasance, retirement or other acquisition) and all other Subsidiary Guaranteed Obligations of the Subsidiary Guarantor then due and owing unless earlier terminated as described below, (ii) be binding upon such Subsidiary Guarantor and (iii) inure to the benefit of and be enforceable by the Trustee, the Holders and their permitted successors, transferees and assigns.

Notwithstanding the preceding paragraph, any Subsidiary Guarantor will automatically and unconditionally be released from all obligations under its Subsidiary Guarantee, and such Subsidiary Guarantee shall thereupon terminate and be discharged and of no further force or effect, (i) concurrently with any direct or indirect sale or disposition (by merger or otherwise) of any Subsidiary Guarantor or any interest therein in accordance with the terms of the Indenture (including the covenants described under " Certain covenants Limitation on Sales of Assets and Subsidiary Stock" and " Certain covenants Merger and Consolidation") by the Company or a Restricted Subsidiary, following which such Subsidiary Guarantor is no longer a Restricted Subsidiary of the Company, (ii) at any time that such Subsidiary Guarantor is released from all of its obligations under all of its Guarantees of payment of any Indebtedness of the Company or any Subsidiary Guarantor under Credit Facilities and Capital Markets Securities (it being understood that a release subject to contingent reinstatement is still a release, and that if any such Guarantee is so reinstated, such Subsidiary Guarantee shall also be reinstated to the extent that such Subsidiary Guarantor would then be required to provide a Subsidiary Guarantee pursuant to the covenant described under " Certain covenants Future Subsidiary Guarantors"), (iii) upon the merger or consolidation of any Subsidiary Guarantor with and into the Company or another Subsidiary Guarantor that is the surviving Person in such merger or consolidation, or upon the liquidation of such Subsidiary Guarantor following the transfer of all of its assets to the Company or another Subsidiary Guarantor, (iv) concurrently with any Subsidiary Guarantor becoming an Unrestricted Subsidiary, (v) upon legal or covenant defeasance of the Company's obligations, or satisfaction and discharge of the Indenture, or (vi) subject to customary contingent reinstatement provisions, upon payment in full of the aggregate principal amount of all Notes then outstanding and all other Subsidiary Guaranteed Obligations then due and owing. In addition, the Company will have the right, upon 30 days' notice to the Trustee, to cause any Subsidiary Guarantor that has not guaranteed payment of any Indebtedness of the Company or any Subsidiary Guarantor under Credit Facilities or Capital Markets Securities to be unconditionally released from all obligations under its Subsidiary Guarantee, and such Subsidiary Guarantee shall thereupon terminate and be discharged and of no further force or effect. Upon any such occurrence specified in this paragraph, the Trustee shall execute any documents reasonably requested by the Company in order to evidence such release, discharge and termination in respect of such Subsidiary Guarantee.

Neither the Company nor any Subsidiary Guarantor shall be required to make a notation on the Notes to reflect any Subsidiary Guarantee or any release, termination or discharge thereof.

Ranking

The indebtedness evidenced by the Notes (a) is unsecured Senior Indebtedness of the Company, (b) ranks *pari passu* in right of payment with all existing and future Senior Indebtedness of the

Company, and (c) is senior in right of payment to all existing and future Subordinated Obligations of the Company. The Notes are also effectively subordinated to all secured Indebtedness of the Company to the extent of the value of the assets securing such Indebtedness, and to all Indebtedness and other liabilities (including trade payables) of its Subsidiaries (other than Subsidiaries that are or become Subsidiary Guarantors pursuant to the provisions described above under " Subsidiary Guarantees").

Each Subsidiary Guarantee (a) is unsecured Senior Indebtedness of the applicable Subsidiary Guarantor, (b) ranks *pari passu* in right of payment with all existing and future Senior Indebtedness of such Subsidiary Guarantor and (c) is senior in right of payment to all existing and future Guarantor Subordinated Obligations of such Subsidiary Guarantor. Such Subsidiary Guarantee is also effectively subordinated to all secured Indebtedness of such Subsidiary Guarantor to the extent of the value of the assets securing such Indebtedness, and to all Indebtedness and other liabilities (including trade payables) of the Subsidiaries of such Subsidiary Guarantor (other than any Subsidiaries that are or become Subsidiary Guarantors pursuant to the provisions described above under " Subsidiary Guarantees").

All of the operations of the Company are conducted through its Subsidiaries. Claims of creditors of such Subsidiaries, including trade creditors, and claims of preferred shareholders (if any) of such Subsidiaries will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of the Company, including holders of the Notes, unless such Subsidiary is a Subsidiary Guarantor with respect to the Notes. The Notes, therefore, are effectively subordinated to creditors (including trade creditors) and preferred shareholders (if any) of Subsidiaries of the Company (other than Subsidiaries that are or become Subsidiary Guarantors with respect to the Notes). In addition, certain of the operations of a Subsidiary Guarantor may be conducted through Subsidiaries thereof that are not also Subsidiary Guarantors. Claims of creditors of such Subsidiaries, including trade creditors, and claims of preferred shareholders (if any) of such Subsidiaries will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of such Subsidiary Guarantor, including claims under its Subsidiary Guarantee of the Notes. Such Subsidiary Guarantees, therefore, are effectively subordinated to creditors (including trade creditors) and preferred shareholders (if any) of any such Subsidiaries. Although the Indenture limits the incurrence of Indebtedness (including preferred stock) by certain of the Company's Subsidiaries, such limitation is subject to a number of significant qualifications.

Change of Control

Upon the occurrence after the Issue Date of a Change of Control (as defined below), each Holder of Notes will have the right to require the Company to repurchase all or any part of such Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Company shall not be obligated to repurchase Notes pursuant to this covenant in the event that it has exercised its right to redeem all of the Notes as described under " Redemption Optional Redemption."

The term "Change of Control" means:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders or a Parent, becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, *provided* that (*x*) so long as the Company is a Subsidiary of any Parent, no "person" shall be deemed to be or become a "beneficial owner" of more than 50% of the total voting power of the Voting Stock of the Company unless such "person" shall be or become a "beneficial owner" of more than 50% of the

total voting power of the Voting Stock of such Parent and (*y*) any Voting Stock of which any Permitted Holder is the "beneficial owner" shall not in any case be included in any Voting Stock of which any such "person" is the "beneficial owner"; or

(ii) the Company merges or consolidates with or into, or sells or transfers (in one or a series of related transactions) all or substantially all of the assets of the Company and its Restricted Subsidiaries to, another Person (other than one or more Permitted Holders) and any "person" (as defined in clause (i) above), other than one or more Permitted Holders or any Parent, is or becomes the "beneficial owner" (as so defined), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the surviving Person in such merger or consolidation, or the transferee Person in such sale or transfer of assets, as the case may be, *provided* that (*x*) so long as such surviving or transferee Person is a Subsidiary of a parent Person, no "person" shall be deemed to be or become a "beneficial owner" of more than 50% of the total voting power of the Voting Stock of such surviving or transferee Person unless such "person" shall be or become a "beneficial owner" of more than 50% of the total voting power of the Voting Stock of such parent Person and (*y*) any Voting Stock of which any Permitted Holder is the "beneficial owner" shall not in any case be included in any Voting Stock of which any such "person" is the beneficial owner.

In the event that, at the time of such Change of Control, the terms of any Bank Indebtedness constituting Designated Senior Indebtedness restrict or prohibit the repurchase of the Notes pursuant to this covenant, then prior to the mailing of the notice to Holders provided for in the immediately following paragraph but in any event not later than 30 days following the date the Company obtains actual knowledge of any Change of Control (unless the Company has exercised its right to redeem all the Notes as described under " Redemption Optional Redemption"), the Company shall, or shall cause one or more of its Subsidiaries to, (*i*) repay in full all such Bank Indebtedness subject to such terms or offer to repay in full all such Bank Indebtedness and repay the Bank Indebtedness of each lender who has accepted such offer or (*ii*) obtain the requisite consent under the agreements governing such Bank Indebtedness to permit the repurchase of the Notes as provided for in the immediately following paragraph. The Company shall first comply with the provisions of the immediately preceding sentence before it shall be required to repurchase Notes pursuant to the provisions described below. The Company's failure to comply with the provisions of this paragraph or the provisions of the immediately following paragraph shall constitute an Event of Default described in clause (iv) and not in clause (ii) under " Defaults" below.

Unless the Company has exercised its right to redeem all the Notes as described under " Redemption Optional Redemption," the Company shall, not later than 30 days following the date the Company obtains actual knowledge of any Change of Control having occurred, mail a notice (a "Change of Control Offer") to each Holder with a copy to the Trustee stating: (*1*) that a Change of Control has occurred or may occur and that such Holder has, or upon such occurrence will have, the right to require the Company to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date); (*2*) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed); (*3*) the instructions determined by the Company, consistent with this covenant, that a Holder must follow in order to have its Notes purchased; and (*4*) if such notice is mailed prior to the occurrence of a Change of Control, that such offer is conditioned on the occurrence of such Change of Control. No Note will be repurchased in part if less than the Minimum Denomination in original principal amount of such Note would be left outstanding.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer

made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

Subject to the limitations discussed below, the Company could, in the future, enter into certain transactions, including acquisitions, refinancings or recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect the Company's capital structure or credit ratings. Restrictions on the ability of the Company to Incur additional Indebtedness are contained in the covenants described under " Certain covenants Limitation on Indebtedness" and " Certain covenants Limitation on Liens." Such restrictions can only be waived with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture does not contain any covenants or provisions that may afford Holders protection in the event of a highly leveraged transaction.

The occurrence of a Change of Control would constitute a default under each Senior Credit Agreement. Agreements governing future Indebtedness of the Company may contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Each Senior Credit Agreement prohibits, and the agreements governing future Indebtedness of the Company may prohibit, the Company from repurchasing the Notes upon a Change of Control unless the Indebtedness governed by such Senior Credit Agreement or the agreements governing such future Indebtedness, as the case may be, has been repurchased or repaid (or an offer made to effect such repurchase or repayment has been made and the Indebtedness of those creditors accepting such offer has been repurchased or repaid) and/or other specified requirements have been met. Moreover, the exercise by the Holders of their right to require the Company to repurchase the Notes could cause a default under such agreements, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company and its Subsidiaries. Finally, the Company's ability to pay cash to the Holders upon a repurchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. The provisions under the Indenture relating to the Company's obligation to make an offer to purchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the Holders of not less than a majority in aggregate principal amount of the Notes. As described above under " Optional Redemption," the Company also has the right to redeem the Notes at specified prices, in whole or in part, upon a Change of Control or otherwise.

The definition of Change of Control includes a phrase relating to the sale or other transfer of "all or substantially all" of the Company's assets. Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders of the Notes have the right to require the Company to repurchase such Notes.

Certain covenants

The Indenture contains certain covenants including, among others, the covenants as described below:

Limitation on Indebtedness. The Indenture provides as follows:

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness; *provided*, *however*, that the Company or any Restricted Subsidiary may Incur Indebtedness if on the date of the Incurrence of such Indebtedness, after giving effect to the Incurrence thereof, the Consolidated Coverage Ratio would be equal to or greater than 2.00:1.00.

(b) Notwithstanding the foregoing paragraph (a), the Company and its Restricted Subsidiaries may Incur the following Indebtedness:

(i) Indebtedness Incurred pursuant to any Credit Facility (including but not limited to in respect of letters of credit or bankers' acceptances issued or created thereunder) and Indebtedness Incurred other than under any Credit Facility, and (without limiting the foregoing), in each case, any Refinancing Indebtedness in respect thereof, in a maximum principal amount at any time outstanding not exceeding in the aggregate the amount equal to (*A*) $3,500.0 million, plus (*B*) in the event of any refinancing of any such Indebtedness, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, minus (*C*) the aggregate principal amount of Delayed Draw Term Loans (if any) classified by the Company as Refinancing Indebtedness Incurred pursuant to clause (b)(iii) below to refinance any Existing 2007 Notes or Existing 2009 Notes, minus (*D*) the amount, if any, not borrowed under the Delayed Draw Term Loan Commitments upon the termination thereof on the Delayed Draw Term Loan Commitment Termination Date;

(ii) Indebtedness (*A*) of any Restricted Subsidiary to the Company or (*B*) of the Company or any Restricted Subsidiary to any Restricted Subsidiary; *provided*, that any subsequent issuance or transfer of any Capital Stock of such Restricted Subsidiary to which such Indebtedness is owed, or other event, that results in such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of such Indebtedness (except to the Company or a Restricted Subsidiary) will be deemed, in each case, an Incurrence of such Indebtedness by the issuer thereof not permitted by this clause (ii);

(iii) Indebtedness (*x*) represented by the Notes (other than any Additional Notes), any Indebtedness (other than the Indebtedness described in clause (ii) above) outstanding on the Closing Date, or (*y*) represented by Notes issued in connection with the payment of PIK Interest; and any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iii) or paragraph (a) above;

(iv) Purchase Money Obligations and Capitalized Lease Obligations, and any Refinancing Indebtedness with respect thereto; *provided* that the aggregate principal amount of such Purchase Money Obligations Incurred to finance the acquisition of Capital Stock of any Person at any time outstanding pursuant to this clause shall not exceed an amount equal to the greater of $175.0 million and 15.0% of Consolidated Tangible Assets;

(v) Indebtedness (*A*) supported by a letter of credit issued pursuant to any Credit Facility in a principal amount not exceeding the face amount of such letter of credit or (*B*) consisting of accommodation guarantees for the benefit of trade creditors of the Company or any of its Restricted Subsidiaries;

(vi) (*A*) Guarantees by the Company or any Restricted Subsidiary of Indebtedness or any other obligation or liability of the Company or any Restricted Subsidiary (other than any Indebtedness Incurred by the Company or such Restricted Subsidiary, as the case may be, in

violation of this covenant), or (*B*) without limiting the covenant described under " Limitation on Liens," Indebtedness of the Company or any Restricted Subsidiary arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary (other than any Indebtedness Incurred by the Company or such Restricted Subsidiary, as the case may be, in violation of this covenant);

(vii) Indebtedness of the Company or any Restricted Subsidiary (*A*) arising from the honoring of a check, draft or similar instrument drawn against insufficient funds, *provided* that such Indebtedness is extinguished within five Business Days of its Incurrence, or (*B*) consisting of guarantees, indemnities, obligations in respect of earnouts or other purchase price adjustments, or similar obligations, Incurred in connection with the acquisition or disposition of any business, assets or Person;

(viii) Indebtedness of the Company or any Restricted Subsidiary in respect of (*A*) letters of credit, bankers' acceptances or other similar instruments or obligations issued, or relating to liabilities or obligations incurred, in the ordinary course of business (including those issued to governmental entities in connection with self-insurance under applicable workers' compensation statutes), or (*B*) completion guarantees, surety, judgment, appeal or performance bonds, or other similar bonds, instruments or obligations, provided, or relating to liabilities or obligations incurred, in the ordinary course of business, including in respect of liabilities or obligations of franchisees, or (*C*) Hedging Obligations, entered into for bona fide hedging purposes, or (*D*) Management Guarantees or Management Indebtedness, or (*E*) the financing of insurance premiums in the ordinary course of business, or (*F*) take-or-pay obligations under supply arrangements incurred in the ordinary course of business, or (*G*) netting, overdraft protection and other arrangements arising under standard business terms of any bank at which the Company or any Restricted Subsidiary maintains an overdraft, cash pooling or other similar facility or arrangement;

(ix) Indebtedness (*A*) of a Special Purpose Subsidiary secured by a Lien on all or part of the assets disposed of in, or otherwise Incurred in connection with, a Financing Disposition or (*B*) otherwise Incurred in connection with a Special Purpose Financing; *provided* that (*1*) such Indebtedness is not recourse to the Company or any Restricted Subsidiary that is not a Special Purpose Subsidiary (other than with respect to Special Purpose Financing Undertakings), (*2*) in the event such Indebtedness shall become recourse to the Company or any Restricted Subsidiary that is not a Special Purpose Subsidiary (other than with respect to Special Purpose Financing Undertakings), such Indebtedness will be deemed to be, and must be classified by the Company as, Incurred at such time (or at the time initially Incurred) under one or more of the other provisions of this covenant for so long as such Indebtedness shall be so recourse, and (*3*) in the event that at any time thereafter such Indebtedness shall comply with the provisions of the preceding subclause (1), the Company may classify such Indebtedness in whole or in part as Incurred under this clause (b)(ix) of this covenant;

(x) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount at any time outstanding not exceeding an amount equal to (*A*) (*1*) the Foreign Borrowing Base less (*2*) the aggregate principal amount of Indebtedness Incurred by Special Purpose Subsidiaries that are Foreign Subsidiaries and then outstanding pursuant to clause (ix) of this paragraph (b) plus (*B*) in the event of any refinancing of any Indebtedness Incurred under this clause (x), the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(xi) Contribution Indebtedness and any Refinancing Indebtedness with respect thereto;

(xii) Indebtedness of (*A*) the Company or any Restricted Subsidiary Incurred to finance or refinance, or otherwise Incurred in connection with any acquisition of assets (including Capital Stock), business or Person, or any merger or consolidation of any Person with or into the Company

or any Restricted Subsidiary, or (*B*) any Person that is acquired by or merged or consolidated with or into the Company or any Restricted Subsidiary (including Indebtedness thereof Incurred in connection with any such acquisition, merger or consolidation), *provided* that on the date of such acquisition, merger or consolidation, after giving effect thereto, either (*1*) the Company would have a Consolidated Total Leverage Ratio equal to or less than 7.25:1.00 or (*2*) the Consolidated Total Leverage Ratio of the Company would equal or be less than the Consolidated Total Leverage Ratio of the Company immediately prior to giving effect thereto; and any Refinancing Indebtedness with respect to any such Indebtedness;

(xiii) Indebtedness of the Company or any Restricted Subsidiary Incurred as consideration in connection with any acquisition of assets (including Capital Stock), business or Person, or any merger or consolidation of any Person with or into the Company or any Restricted Subsidiary, and any Refinancing Indebtedness with respect thereto, in an aggregate principal amount at any time outstanding not exceeding $75.0 million; and

(xiv) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount at any time outstanding not exceeding an amount equal to the greater of $150.0 million and 11.25% of Consolidated Tangible Assets.

(c) For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant, (*i*) any other obligation of the obligor on such Indebtedness (or of any other Person who could have Incurred such Indebtedness under this covenant) arising under any Guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation supporting such Indebtedness shall be disregarded to the extent that such Guarantee, Lien or letter of credit, bankers' acceptance or other similar instrument or obligation secures the principal amount of such Indebtedness; (*ii*) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in paragraph (b) above, the Company, in its sole discretion, shall classify such item of Indebtedness and may include the amount and type of such Indebtedness in one or more of such clauses (including in part under one such clause and in part under another such clause); *provided* that any Indebtedness Incurred pursuant to clause (b)(iv) of this covenant as limited by the proviso thereto, or clause (b)(xiv) of this covenant, shall, at the Company's election, cease to be deemed Incurred or outstanding for purposes of such clause but shall be deemed Incurred for the purposes of paragraph (a) of this covenant from and after the first date on which such Restricted Subsidiary could have Incurred such Indebtedness under paragraph (a) of this covenant without reliance on such clause; and (*iii*) the amount of Indebtedness issued at a price that is less than the principal amount thereof shall be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

(d) For purposes of determining compliance with any dollar-denominated restriction on the Incurrence of Indebtedness denominated in a foreign currency, the dollar-equivalent principal amount of such Indebtedness Incurred pursuant thereto shall be calculated based on the relevant currency exchange rate in effect on the date that such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness, *provided* that (*x*) the dollar-equivalent principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date, (*y*) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency (or in a different currency from such Indebtedness so being Incurred), and such refinancing would cause the applicable dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed (*i*) the outstanding or committed principal amount (whichever is higher) of such Indebtedness being refinanced plus (*ii*) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing and (*z*) the dollar-equivalent principal

amount of Indebtedness denominated in a foreign currency and Incurred pursuant to a Senior Credit Facility shall be calculated based on the relevant currency exchange rate in effect on, at the Company's option, (*i*) the Issue Date, (*ii*) any date on which any of the respective commitments under such Senior Credit Facility shall be reallocated between or among facilities or subfacilities thereunder, or on which such rate is otherwise calculated for any purpose thereunder, or (*iii*) the date of such Incurrence. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments. The Indenture provides as follows:

(a) The Company shall not, and shall not permit any Restricted Subsidiary, directly or indirectly, to (*i*) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any such payment in connection with any merger or consolidation to which the Company is a party) except (*x*) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and (*y*) dividends or distributions payable to the Company or any Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to other holders of its Capital Stock on no more than a *pro rata* basis, measured by value), (*ii*) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company held by Persons other than the Company or a Restricted Subsidiary (other than any acquisition of Capital Stock deemed to occur upon the exercise of options if such Capital Stock represents a portion of the exercise price thereof), (*iii*) voluntarily purchase, repurchase, redeem, defease or otherwise voluntarily acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Continuing Notes or Subordinated Obligations (other than a purchase, repurchase, redemption, defeasance or other acquisition or retirement for value in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such acquisition or retirement) or (*iv*) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, repurchase, redemption, defeasance, other acquisition or retirement or Investment being herein referred to as a "Restricted Payment"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment and after giving effect thereto:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Company could not Incur at least an additional $1.00 of Indebtedness pursuant to paragraph (a) of the covenant described under " Limitation on Indebtedness"; or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be as determined in good faith by the Board of Directors, whose determination shall be conclusive and evidenced by a resolution of the Board of Directors) declared or made subsequent to the Closing Date and then outstanding would exceed, without duplication, the sum of:

(A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) beginning on the Reference Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which consolidated financial statements of the Company are available (or, in case such Consolidated Net Income shall be a negative number, 100% of such negative number);

(B) the aggregate Net Cash Proceeds and the fair value (as determined in good faith by the Company) of property or assets received (x) by the Company as capital contributions to the Company after the Closing Date or from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock or Designated Preferred Stock) after the Closing Date (other than Excluded Contributions and Contribution Amounts) or

(*y*) by the Company or any Restricted Subsidiary from the issuance and sale by the Company or any Restricted Subsidiary after the Closing Date of Indebtedness that shall have been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preferred Stock) or any Parent, plus the amount of any cash and the fair value (as determined in good faith by the Company) of any property or assets, received by the Company or any Restricted Subsidiary upon such conversion or exchange;

(C) (*i*) the aggregate amount of cash and the fair value (as determined in good faith by the Company) of any property or assets received from dividends, distributions, interest payments, return of capital, repayments of Investments or other transfers of assets to the Company or any Restricted Subsidiary from any Unrestricted Subsidiary, including dividends or other distributions related to dividends or other distributions made pursuant to clause (x) of the following paragraph (b), plus (*ii*) the aggregate amount resulting from the redesignation of any Unrestricted Subsidiary as a Restricted Subsidiary (valued in each case as provided in the definition of "Investment"); and

(D) in the case of any disposition or repayment of any Investment constituting a Restricted Payment (without duplication of any amount deducted in calculating the amount of Investments at any time outstanding included in the amount of Restricted Payments), the aggregate amount of cash and the fair value (as determined in good faith by the Company) of any property or assets received by the Company or a Restricted Subsidiary with respect to all such dispositions and repayments.

(b) The provisions of the foregoing paragraph (a) will not prohibit any of the following (each, a "Permitted Payment"):

(i) (*x*) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Capital Stock of the Company ("Treasury Capital Stock"), Continuing Notes or Subordinated Obligations made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent issuance or sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary) ("Refunding Capital Stock") or a substantially concurrent capital contribution to the Company, in each case other than Excluded Contributions and Contribution Amounts; *provided*, that the Net Cash Proceeds from such issuance, sale or capital contribution shall be excluded in subsequent calculations under clause (3)(B) of the preceding paragraph (a) and (*y*) if immediately prior to such acquisition or retirement of such Treasury Capital Stock, dividends thereon were permitted pursuant to clause (xi) of this paragraph (b), dividends on such Refunding Capital Stock in an aggregate amount per annum not exceeding the aggregate amount per annum of dividends so permitted on such Treasury Capital Stock;

(ii) any purchase, redemption, repurchase, defeasance or other acquisition or retirement of Continuing Notes or Subordinated Obligations (*w*) made by exchange for, or out of the proceeds of the substantially concurrent issuance or sale of, Indebtedness of the Company (other than with respect to the Continuing Notes) or Refinancing Indebtedness Incurred in compliance with the covenant described under " Limitation on Indebtedness," (*x*) from Net Available Cash to the extent permitted by the covenant described under " Limitation on Sales of Assets and Subsidiary Stock," (*y*) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only if the Company shall have complied with the covenant described under " Change of Control" and, if required, purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing or repaying such Continuing Notes or Subordinated Obligations or (*z*) constituting Acquired Indebtedness;

(iii) any dividend paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with the preceding paragraph (a);

(iv) Investments or other Restricted Payments in an aggregate amount outstanding at any time not to exceed the amount of Excluded Contributions;

(v) loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to repurchase or otherwise acquire its Capital Stock (including any options, warrants or other rights in respect thereof), or payments by the Company to repurchase or otherwise acquire Capital Stock of any Parent or the Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors, such payments, loans, advances, dividends or distributions not to exceed an amount (net of repayments of any such loans or advances) equal to (*x*) (*1*) $30.0 million, plus (*2*) $10.0 million multiplied by the number of calendar years that have commenced since the Closing Date, plus (*y*) the Net Cash Proceeds received by the Company since the Closing Date from, or as a capital contribution from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (3)(B)(x) of the preceding paragraph (a), plus (*z*) the cash proceeds of key man life insurance policies received by the Company or any Restricted Subsidiary (or by any Parent and contributed to the Company) since the Closing Date to the extent such cash proceeds are not included in any calculation under clause (3)(A) of the preceding paragraph (a); *provided* that any cancellation of Indebtedness owing to the Company or any Restricted Subsidiary by any Management Investor in connection with any repurchase or other acquisition of Capital Stock (including any options, warrants or other rights in respect thereof) from any Management Investor shall not constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(vi) the payment by the Company of, or loans, advances, dividends or distributions by the Company to any Parent to pay, dividends on the common stock or equity of the Company or any Parent following a public offering of such common stock or equity in an amount not to exceed in any fiscal year 6% of the aggregate gross proceeds received by the Company (whether directly, or indirectly through a contribution to common equity capital) in or from such public offering;

(vii) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed an amount (net of repayments of any such loans or advances) equal to the greater of $50.0 million and 3.75% of Consolidated Tangible Assets;

(viii) loans, advances, dividends or distributions to any Parent or other payments b