SERVICEMASTER CO
Form S-4/A
April 16, 2013

As filed with the Securities and Exchange Commission on April 16, 2013

Registration No. 333-187509

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

Form S-4

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)	(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, Esq.

Senior Vice President, General Counsel, Government Affairs & Secretary

The ServiceMaster Company

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)

With a copy to:

Peter J. Loughran, Esq.

Debevoise & Plimpton LLP

919 Third Avenue

New York, New York 10022

(212) 909-6000

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* Information regarding additional registrants is contained in the Table of Additional Registrants on the following page.

Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) o

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) o

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 or until this Registration Statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

Table of Contents

Table of Additional Registrants

Exact Name of Registrant as Specified in its Charter		State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number
Merry Maids Limited Partnership*	Subsidiary Guarantor	Delaware	47-0718233
MM Maids L.L.C.*	Subsidiary Guarantor	Delaware	06-1668989
ServiceMaster Consumer Services, Inc.**	Subsidiary Guarantor	Delaware	36-3729225
ServiceMaster Consumer Services Limited Partnership**	Subsidiary Guarantor	Delaware	36-3729226
ServiceMaster Holding Corporation**	Subsidiary Guarantor	Delaware	36-4245384
ServiceMaster Management Corporation**	Subsidiary Guarantor	Delaware	36-3837079
ServiceMaster Residential/Commercial Services Limited Partnership*	Subsidiary Guarantor	Delaware	36-3747477
SM Clean L.L.C.*	Subsidiary Guarantor	Delaware	06-1668984
Terminix International, Inc.**	Subsidiary Guarantor	Delaware	36-3478839
The Terminix International Company Limited Partnership**	Subsidiary Guarantor	Delaware	36-3478837
TruGreen Companies L.L.C.**	Subsidiary Guarantor	Delaware	36-4313320
TruGreen, Inc.**	Subsidiary Guarantor	Delaware	36-3734601
TruGreen Limited Partnership**	Subsidiary Guarantor	Delaware	36-3734669

* The address including zip code and telephone number including area code for this registrant is 3839 Forest Hill-Irene Road, Memphis, Tennessee, 38125; (901) 597-7500.

** The address including zip code and telephone number including area code for this registrant is 860 Ridge Lake Boulevard, Memphis, Tennessee, 38120; (901) 597-1400.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not complete this exchange offer or issue these securities 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 state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED April 16, 2013

PROSPECTUS

The ServiceMaster Company

Offer to Exchange

$750,000,000 Outstanding 7.000% Senior Notes due 2020

for

$750,000,000 Registered 7.000% Senior Notes due 2020

The ServiceMaster Company is offering to exchange $750,000,000 aggregate principal amount of its outstanding unregistered 7.000% Senior Notes due 2020 (the Old Notes) for a like principal amount of its registered 7.000% Senior Notes due 2020 (the New Notes).

The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act of 1933, as amended (the Securities Act), and will not contain restrictions on transfer or provisions relating to additional interest, will bear a different CUSIP number from the Old Notes and will not entitle their holders to registration rights.

No public market currently exists for the Old Notes or the New Notes.

The exchange offer will expire at 5:00 p.m., New York City time, on , 2013 (the Expiration Date) unless we extend the Expiration Date. You should read the section called The Exchange Offer for further information on how to exchange your Old Notes for New Notes.

See Risk Factors beginning on page 16 for a discussion of risk factors that you should consider prior to tendering your Old Notes in the exchange offer and risk factors related to ownership of the New Notes.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 90 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2013

Table of Contents

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus is accurate as of any date other than the date of this prospectus. Also, you should not assume that there has been no change in the affairs of The ServiceMaster Company and its subsidiaries since the date of this prospectus.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider in making your investment decision. You should read the following summary together with the entire prospectus, including the more detailed information regarding our company, the New Notes being issued in the exchange offer and our consolidated financial statements and the related notes included in this prospectus. In this prospectus, unless noted or indicated by context and except as provided in Description of Notes, the terms the Company, ServiceMaster, we, us and our refer to The ServiceMaster Company, a Delaware corporation, and its subsidiaries, and the term Holdings refers to ServiceMaster Global Holdings, Inc., a Delaware corporation.

Our Company

ServiceMaster is a global company serving both residential and commercial customers, with a network of approximately 7,300 company-owned, franchised and licensed locations. ServiceMaster s services include termite and pest control, lawn care, home warranties and preventative maintenance contracts, janitorial, cleaning and disaster restoration, house cleaning, wood furniture repair and home inspection. We provide these services primarily under the following leading brands: Terminix, TruGreen, American Home Shield, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec.

We are organized into five principal reportable segments: Terminix, TruGreen, American Home Shield, ServiceMaster Clean, and Other Operations and Headquarters. During 2012, we employed an average of approximately 20,000 company associates, and we estimate that our franchise network independently employed over 31,000 additional people. Approximately 98 percent of our 2012 operating revenue was generated by sales in the United States. A significant portion of our assets is located in the United States, and the consolidated value of all assets located outside of the United States is not material. Incorporated in Delaware in 1991, ServiceMaster is the successor to various entities dating back to 1947.

Our 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	2012	2011	2010
Terminix	40%	37%	37%
TruGreen	31%	34%	35%
American Home Shield	22%	22%	21%
ServiceMaster Clean	4%	4%	4%
Other Operations and Headquarters	3%	3%	3%

Terminix Segment

The Terminix segment provides termite and pest control services primarily under the Terminix brand name and also distributes pest control products. Terminix is a leading provider of termite and pest control services in the United States, serving both residential and commercial customers. Of Terminix s 2012 operating revenue, 39 percent and 17 percent were generated from residential and commercial pest control services, respectively, and 36 percent and 3 percent were generated from residential and commercial termite control services, respectively (with the remainder from other services).

As of December 31, 2012, Terminix provided these services in 47 states and the District of Columbia through approximately 285 company-owned locations and 100 franchised locations. As of December 31, 2012, Terminix also provided termite and pest control services through subsidiaries in Mexico, the Caribbean and Central America and a joint venture in India and had licensing arrangements whereby licensees provided these services in Japan, China, South Korea, Southeast Asia, Central America, the Caribbean and the Middle East.

Table of Contents

TruGreen Segment

The TruGreen segment provides lawn, tree and shrub care services primarily under the TruGreen brand name. TruGreen is a leading provider of lawn, tree and shrub care services in the United States, serving both residential and commercial customers. Of TruGreen s 2012 operating revenue, 53 percent was generated from residential weed control and fertilization services, while expanded lawn services (such as aeration and grub control) (18 percent), commercial weed control and fertilization services (18 percent), and tree and shrub services (11 percent) accounted for the remainder.

As of December 31, 2012, TruGreen provided these services in 48 states and the District of Columbia through approximately 200 company-owned locations and 35 franchised locations. As of December 31, 2012, TruGreen also provided lawn care services through a subsidiary in Canada and had licensing arrangements whereby licensees provided these services in Japan, the United Kingdom and Canada.

American Home Shield Segment

The American Home Shield segment provides home warranties and preventative maintenance contracts for household systems and appliances primarily under the American Home Shield brand name. American Home Shield is a leading provider of home warranties for household systems and appliances in the United States and also offers preventative maintenance contracts. It provides residential customers with contracts to repair or replace electrical, plumbing, central heating and central air conditioning systems, water heaters and other covered household systems and appliances and services those contracts through independent repair contractors. In 2012, 70 percent of the home warranties written by American Home Shield were derived from existing contract renewals, while 17 percent and 13 percent were derived from sales made in conjunction with existing home resale transactions and direct-to-consumer sales, respectively. As of December 31, 2012, American Home Shield issued and administered home warranties in 49 states and the District of Columbia and had no international operations.

ServiceMaster Clean Segment

The ServiceMaster Clean segment provides residential and commercial disaster restoration, janitorial and cleaning services through franchises primarily under the ServiceMaster and ServiceMaster Clean brand names, on-site wood furniture repair and restoration services primarily under the Furniture Medic brand name and home inspection services primarily under the AmeriSpec brand name. Of ServiceMaster Clean s 2012 operating revenue, 50 percent was generated from domestic royalty fees from residential and commercial disaster restoration and cleaning services, while international (19 percent), product sales (10 percent), national janitorial accounts (12 percent), lead generation fees (3 percent), on-site wood furniture repair and restoration (2 percent), home inspection services (2 percent) and new license sales (2 percent) accounted for the remainder.

ServiceMaster Clean. ServiceMaster Clean is a leading franchisor in the residential and commercial disaster restoration and cleaning fields in the United States. As of December 31, 2012, ServiceMaster Clean provided these services in 50 states and the District of Columbia through approximately 2,980 franchised locations. ServiceMaster Clean also has company locations in Canada, the United Kingdom and Honduras. As of December 31, 2012, ServiceMaster Clean had licensing arrangements whereby licensees provided disaster restoration, janitorial and cleaning services in Japan, the United Kingdom, Canada, India, the Middle East, Southeast Asia and Central America.

Furniture Medic. Furniture Medic is a leading provider of on-site wood furniture repair and restoration services serving residential customers in the United States. As of December 31, 2012, Furniture Medic provided these services in 42 states and the District of Columbia through approximately 240 franchised locations. As of December 31, 2012, Furniture Medic also had licensing arrangements whereby licensees provided on-site wood furniture repair and restoration services in the United Kingdom, Canada and Turkey.

AmeriSpec. AmeriSpec is a leading provider of home inspection services serving residential customers in the United States. As of December 31, 2012, AmeriSpec provided these services in 38 states and the District of

Table of Contents

Columbia through approximately 210 franchised locations. AmeriSpec also had licensing arrangements whereby licensees provided home inspection services in Canada.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment includes the Merry Maids business unit, The ServiceMaster Acceptance Company Limited Partnership (SMAC) and our corporate headquarters functions.

Merry Maids. Merry Maids is a leading provider of home cleaning services in the United States. As of December 31, 2012, these services were provided in 49 states and the District of Columbia through approximately 75 company-owned locations and 390 franchised locations. As of December 31, 2012, Merry Maids also had licensing arrangements whereby licensees provided home cleaning services in Japan, the United Kingdom, Canada, South Korea, Hong Kong, Australia and Southeast Asia.

SMAC. SMAC provides financing to our franchisees through commercial loans for franchise fees and royalties, equipment and vehicle purchases, and working capital needs. Commercial loans are typically for a term of one to seven years and are generally secured by the assets of the franchisee and other collateral. SMAC also provides financing to consumer customers of Terminix and TruGreen through retail installment sales contracts. Retail installment sales contracts are typically for a term of 12 months and are unsecured. In the event a customer fails to make payments under a retail installment sales contract for 120 days after the due date, Terminix and TruGreen purchase the installment contract from SMAC.

Headquarters functions. The Business Support Center, headquartered in Memphis, Tennessee, includes company-wide administrative functions that we refer to as centers of excellence, which administer payroll, benefits, risk management and certain procurement services for our operations. We have various other centers of excellence which provide communications, marketing, government and public relations, administrative, accounting, financial, tax, certain information technology, human resources and legal services for our businesses.

Our corporate headquarters are located at 860 Ridge Lake Boulevard, Memphis, Tennessee, 38120. Our telephone number is (901) 597-1400.

Ownership and Organizational Structure

In July 2007, ServiceMaster was acquired pursuant to a merger transaction (the Merger), and, immediately following the completion of the Merger, all of the outstanding common stock of ServiceMaster Global Holdings, Inc. (Holdings), the ultimate parent company of ServiceMaster, was owned by investment funds managed by, or affiliated with, Clayton, Dubilier & Rice, LLC (CD&R or the CD&R Funds), Citigroup Private Equity LP (Citigroup) and BAS Capital Funding Corporation (BAS) and by JPMorgan Chase Funding Inc. (JPMorgan). On September 30, 2010, Citigroup transferred the management responsibility for certain investment funds that owned shares of Holdings common stock to StepStone Group LLC (such investment funds as managed by StepStone Group, the StepStone Funds) and its proprietary interests in such investment funds to Lexington Partners Advisors LP. As of December 22, 2011, Holdings purchased from BAS 7.5 million shares of its common stock. On March 30, 2012, an affiliate of BAS sold 7.5 million shares of Holdings common stock to Ridgemont Partners Secondary Fund I, L.P.

(Ridgemont). On July 24, 2012, BACSVM-A, L.P., an affiliate of BAS, distributed 2.5 million shares of Holdings common stock to Conversus Investor IV, L.P., its sole limited partner (together with the CD&R Funds, the StepStone Funds, JPMorgan, Citigroup Capital Partners II Employee Master Fund, L.P., an affiliate of Citigroup, and Ridgemont, the Equity Sponsors).

Table of Contents

The following chart illustrates our current ownership and organizational structure:

(1) Borrower under Credit Facilities (as defined below) and issuer of the Old Notes, New Notes, the 8% Senior Notes due 2020 (the 8% Notes) and the Continuing Notes (as defined in Description of Other Indebtedness). The 8% Notes and the Continuing Notes are described under Description of Other Indebtedness.

(2) ServiceMaster and certain domestic subsidiaries of ServiceMaster are borrowers under a senior secured revolving credit facility entered into by ServiceMaster on July 24, 2007, as amended (the Revolving Credit Facility and, together with the Term Facilities, as described under Description of Other Indebtedness Term Facilities, the Credit Facilities). Each direct and indirect domestic subsidiary of ServiceMaster (other than any subsidiary that is a subsidiary of a foreign subsidiary, foreign subsidiary holding company, an unrestricted subsidiary, a subsidiary below a materiality threshold specified under the Credit Facilities, a receivables financing subsidiary or a subsidiary subject to regulation as an insurance, home warranty, service contract or similar company (or any subsidiary thereof) and certain other specified subsidiaries) currently guarantees ServiceMaster s obligations under the Credit Facilities and certain related interest rate protection or other hedging arrangements with lenders or their affiliates. The Credit Facilities and guarantees thereof are secured as described under Description of Other Indebtedness Credit Facilities. CDRSVM Holding, Inc., ServiceMaster s direct parent, also currently guarantees ServiceMaster s obligations

under the Credit Facilities.

(3) The New Notes will be guaranteed by each domestic subsidiary of ServiceMaster that guarantees ServiceMaster s indebtedness under the Credit Facilities and that is a Wholly Owned Domestic Subsidiary or that guarantees Capital Markets Securities (each as defined under Description of Notes). See Description of Notes. These subsidiaries also guarantee the Old Notes and the 8% Notes. See Description of Other Indebtedness 8% Notes.

Table of Contents

Summary of the Terms of the Exchange Offer

The Notes	In August 2012, the Company sold in transactions exempt from registration under the Securities Act, $750,000,000 aggregate principal amount of its 7.000% Senior Notes due 2020. The initial purchasers for the Old Notes were J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC, Barclays Capital Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., Citigroup Global Markets Inc. and Natixis Securities America LLC (collectively, the Initial Purchasers). When we use the term Old Notes in this prospectus, we mean the 7.000% Senior Notes due 2020 that were privately placed with the Initial Purchasers in August 2012 and were not registered with the SEC. When we use the term New Notes in this prospectus, we mean the 7.000% Senior Notes due 2020 registered with the SEC and offered hereby in exchange for the Old Notes. When we use the term Notes or 7.000% Notes in this prospectus, the related discussion applies to both the Old Notes and the New Notes, unless the context otherwise requires and except as provided in Description of Notes. The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act and will not be subject to restrictions on transfer, will bear a different CUSIP and ISIN number than the Old Notes, will not entitle their holders to registration rights and will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes. The New Notes will be issued pursuant to the Indenture, dated as of February 13, 2012, as supplemented by the Third Supplemental Indenture thereto, among the Company, the Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee, which Indenture, as supplemented, also governs the 8% Notes. Such Indenture, as supplemented, is referred to herein as the Indenture. The Old Notes and the New Notes are a different series from the 8% Notes that will vote as a class with the 8% Notes for most purposes under such Indenture. See Description of Notes. The CUSIP numbers for the Old Notes are 81760N AS8 (Rule 144A) and U8151C AF7 (Regulation S). The ISIN numbers for the Old Notes are US81760NAS80 (Rule 144A), and USU8151CAF78 (Regulation S). The CUSIP number for the New Notes is 81760N AR0, and the ISIN number for the New Notes is US81760NAR08.
The Exchange Offer	You may exchange Old Notes for a like principal amount of New Notes. The consummation of the exchange offer is not conditioned upon any minimum or maximum aggregate principal amount of Old Notes being tendered for exchange.
Resale of New Notes	We believe the New Notes that will be issued in the exchange offer may be resold by most investors without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to certain conditions. You should read the discussions under the headings The Exchange Offer for further information regarding the exchange offer and resale of the New Notes.
Registration Rights Agreement	We have undertaken the exchange offer pursuant to the terms of the exchange

Table of Contents

	and registration rights agreement we entered into with the Initial Purchasers on August 21, 2012 (the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, we agreed to use our commercially reasonable efforts to consummate an exchange offer for the Old Notes pursuant to an effective registration statement or to cause resales of the Old Notes to be registered. We have filed the registration statement of which this prospectus constitutes a part to meet our obligations under the Registration Rights Agreement. If we fail to satisfy our obligations under the Registration Rights Agreement and a Registration Default occurs, the interest rate on the Registrable Securities will be increased by (i) 0.25 percent per annum for the first 90-day period beginning on the day immediately following such Registration Default and (ii) an additional 0.25 percent per annum with respect to each subsequent 90-day period, in each case until and including the date such Registration Default ends, up to a maximum increase of 0.50 percent per annum. See Exchange Offer; Registration Rights.
Consequences of Failure to Exchange the Old Notes	You will continue to hold Old Notes that remain subject to their existing transfer restrictions if: • you do not tender your Old Notes; or • you tender your Old Notes and they are not accepted for exchange. We will have no obligation to register the Old Notes after we consummate the exchange offer. See The Exchange Offer Terms of the Exchange Offer; Period for Tendering Old Notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2013 (the Expiration Date), unless we extend it, in which case Expiration Date means the latest date and time to which the exchange offer is extended.
Interest on the New Notes	The New Notes will accrue interest from the most recent date to which interest has been paid or provided for on the Old Notes.
Conditions to the Exchange Offer	The exchange offer is subject to several customary conditions. We will not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes, and we may terminate or amend the exchange offer if we determine in our reasonable judgment at any time before the Expiration Date that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC. The foregoing conditions are for our sole benefit and may be waived by us at any time. In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any time any stop order is threatened or in effect with respect to: • the registration statement of which this prospectus constitutes a part; or • the qualification of the Indenture, dated as of February 13, 2012, governing the Notes under the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). See The Exchange Offer Conditions to the Exchange Offer. We reserve the right to terminate or amend the exchange offer at any time prior to the Expiration Date upon the occurrence of any of the foregoing events.
Procedures for Tendering Old Notes	If you wish to accept the exchange offer, you must tender your Old Notes and

Table of Contents

	do the following on or prior to the Expiration Date, unless you follow the procedures described under The Exchange Offer Guaranteed Delivery Procedures. • if Old Notes are tendered in accordance with the book-entry procedures described under The Exchange Offer Book-Entry Transfer, transmit an Agent s Message to the Exchange Agent through the Automated Tender Offer Program (ATOP) of The Depository Trust Company (DTC), or • transmit a properly completed and duly executed letter of transmittal, or a facsimile copy thereof, to the Exchange Agent, including all other documents required by the letter of transmittal. See The Exchange Offer Procedures for Tendering Old Notes.
Guaranteed Delivery Procedures	If you wish to tender your Old Notes, but cannot properly do so prior to the Expiration Date, you may tender your Old Notes according to the guaranteed delivery procedures set forth under The Exchange Offer Guaranteed Delivery Procedures.
Withdrawal Rights	Tenders of Old Notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. To withdraw a tender of Old Notes, a notice of withdrawal must be actually received by the Exchange Agent at its address set forth in The Exchange Offer Exchange Agent prior to 5:00 p.m., New York City time, on the Expiration Date. See The Exchange Offer Withdrawal Rights.
Acceptance of Old Notes and Delivery of New Notes	Except in some circumstances, any and all Old Notes that are validly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the Expiration Date will be accepted for exchange. The New Notes issued pursuant to the exchange offer will be delivered promptly after the Expiration Date. See The Exchange Offer Acceptance of Old Notes for Exchange; Delivery of New Notes.
Certain U.S. Federal Tax Considerations	We believe that the exchange of the Old Notes for the New Notes will not constitute a taxable exchange for U.S. federal income tax purposes. See Certain United States Federal Income Tax Considerations.
Exchange Agent	Wilmington Trust, National Association is serving as the Exchange Agent (the Exchange Agent).

Table of Contents

Summary of the Terms of the Notes

The terms of the New Notes offered in the exchange offer are identical in all material respects to the Old Notes, except that the New Notes:

- are registered under the Securities Act and therefore will not be subject to restrictions on transfer;
- will not be subject to provisions relating to additional interest;
- will bear a different CUSIP and ISIN number;
- will not entitle their holders to registration rights; and
- will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes.

The following summary contains basic information about the New Notes and the guarantees thereof and is not intended to be complete. For a more complete understanding of the New Notes and the guarantees, please refer to the section entitled Description of Notes in this prospectus.

Issuer	The ServiceMaster Company.
Notes offered	$750,000,000 aggregate principal amount of 7.000% Senior Notes due 2020. The Notes are a different series from the 8% Notes that will vote as a class with the 8% Notes for most purposes under the Indenture. See Description of Notes.
Maturity	The Notes will mature on August 15, 2020.
Interest payment dates	February 15 and August 15.
Optional redemption	We may redeem some or all of the Notes at any time on or after August 15, 2015 at the redemption prices set forth in this prospectus, plus accrued and unpaid interest, if any, to the redemption date. On or prior to August 15, 2015, we may also apply funds equal to the proceeds from one or more equity offerings to redeem up to 35 percent of the Notes at the redemption price set forth in this prospectus, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to August 15, 2015, we may redeem some or all of the Notes at a price equal to 100 percent of the principal amount plus the applicable make-whole premium set forth in this prospectus and unpaid interest, if any, to the redemption date. See Description of Notes Redemption Optional Redemption.

Offer to repurchase	If we experience a change of control (as defined in Description of Notes), we must offer to repurchase all of the Notes (unless otherwise redeemed) at a price equal to 101 percent of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date. See Description of Notes Change of Control. If we sell assets under certain circumstances, we must use the proceeds to make an offer to purchase Notes at a price equal to 100 percent of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. See Description of Notes Certain Covenants Limitation on Sales of Assets and Subsidiary Stock.
Guarantees	The Notes will be guaranteed, jointly and severally, irrevocably and fully and

Table of Contents

unconditionally, on a senior unsecured basis, by each domestic subsidiary of ServiceMaster that guarantees our indebtedness under the Credit Facilities and that is a Wholly Owned Domestic Subsidiary (each as defined under Description of Notes) or that guarantees capital markets securities with an outstanding principal amount over $150.0 million. These entities also guarantee our outstanding 8% Notes. These guarantees are subject to termination and release under specified circumstances without the consent of holders of the Notes. See Description of Notes Subsidiary Guarantees.

For the year ended December 31, 2012, our subsidiaries that guarantee the Notes had aggregate operating revenue of approximately $2.4 billion and an aggregate operating loss of approximately $(556.7) million. Our subsidiaries that do not guarantee the Notes, including our non-U.S. subsidiaries and our subsidiaries subject to regulation as insurance, home warranty or service contract companies (including the American Home Shield companies), represent a significant portion of our operations. These non-guarantor subsidiaries currently do not guarantee borrowings under the Credit Facilities or the 8% Notes. See Note 20 to our audited consolidated financial statements and Note 17 to our unaudited condensed consolidated financial statements included in this prospectus, for condensed consolidating statements of operations, financial position and cash flows that present separately the financial information for our subsidiaries that do not guarantee our indebtedness.

Ranking

The Notes are our unsecured senior indebtedness and rank:

- equal in right of payment with 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 secured indebtedness of that guarantor to the extent of the value of the assets securing such indebtedness and to all indebtedness and other liabilities of our non-guarantor subsidiaries.

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 and to all indebtedness and other liabilities of our non-guarantor subsidiaries.

As of December 31, 2012:

- we had $3.961 billion of total long-term debt outstanding, substantially all of which would have ranked equal in right of payment with the Notes;
- of our total long-term debt outstanding, $2.220 billion was represented by secured indebtedness outstanding under our Credit Facilities, to which the Notes are effectively subordinated, and we had $447.7 million of capacity under the Revolving Credit Facility available to us, all of which borrowings would be secured if borrowed; and

Table of Contents

- our non-guarantor subsidiaries had approximately $169.2 million of total debt and capital leases, excluding trade payables and other obligations, all of which are structurally senior to the Notes.

Covenants

The Indenture contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends, redeem stock or make other distributions, or make investments;
- create restrictions on the ability of our restricted subsidiaries to make payments to us;
- enter into certain transactions with our affiliates;
- transfer or sell assets;
- create certain liens;
- merge, consolidate, or sell all or substantially all of our assets; and
- designate our subsidiaries as unrestricted subsidiaries.

Most of these covenants will cease to apply for so long as the Notes have investment grade ratings from both Moody s Investment Service, Inc. (Moody s) and Standard & Poor s (S&P). 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.

Risk Factors

In evaluating an investment in the Notes, prospective investors should carefully consider, along with the other information included in this prospectus, the specific factors set forth under Risk Factors.

Table of Contents

Ratios of Earnings to Fixed Charges

Our consolidated ratios of earnings to fixed charges for the years ended December 31, 2012, 2011, 2010, 2009 and 2008 are as follows:

	Years Ended December 31,				
(in thousands)	**2012**	**2011**	**2010**	**2009**	**2008**
Ratio of Earnings to Fixed Charges	(a)	1.41	1.10	(b)	(c)

(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 year ended December 31, 2012 was $827.4 million. For purposes of calculating our ratio of earnings to fixed charges for the year ended December 31, 2012, fixed charges were $246.3 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 year ended December 31, 2009 was $3.1 million. For purposes of calculating our ratio of earnings to fixed charges for the year ended December 31, 2009, fixed charges were $299.3 million.

(c) 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 year ended December 31, 2008 was $170.2 million. For purposes of calculating our ratio of earnings to fixed charges for the year ended December 31, 2008, fixed charges were $347.1 million.

Table of Contents

Summary Consolidated Financial Data

The summary historical financial and operating data as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 set forth below are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary historical financial and operating data as of December 31, 2010 are derived from our audited consolidated financial statements and related notes not included in this prospectus. The summary historical financial and operating data are qualified in their entirety by, and should be read in conjunction with, our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Year ended December 31,		
(In thousands)	**2012**	**2011**	**2010**
Operating results:			
Operating revenue	$ 3,193,281	$ 3,205,872	$ 3,127,394
Operating (loss) income(1)	(532,762)	375,460	306,692
Percentage of operating revenue	(16.7)%	*11.7%*	*9.8%*
Non-operating expense(2)	294,615	263,711	278,308
(Benefit) provision for income taxes(1)	(114,260)	43,912	10,945
Equity in losses of joint venture	(226)		
(Loss) Income from continuing operations(1)(2)	(713,343)	67,837	17,439
Loss from discontinued operations, net of income taxes(3)	(200)	(27,016)	(31,998)
Net (loss) income (1)(2)(3)	$ (713,543)	$ 40,821	$ (14,559)
Other financial data:			
Capital expenditures	$ 73,228	$ 96,540	$ 134,234
Adjusted EBITDA(4)	530,198	586,482	523,124
Operating Performance(4)	562,728	610,475	551,052
Ratio of total debt to Adjusted EBITDA(4)	7.47x	6.61x	7.55x
Ratio of Adjusted EBITDA to interest expense(4)	2.15x	2.15x	1.82x
Financial position (as of period end):			
Total assets	$ 6,410,914	$ 7,146,823	$ 7,098,090
Total liabilities	5,856,264	5,898,904	5,910,563
Total long-term debt outstanding	3,961,253	3,875,870	3,948,487
Total shareholder s equity(1)(2)(3)	554,650	1,247,919	1,187,527

(1) In 2012, the Company recorded pre-tax non-cash impairment charges of $790.2 million and $118.7 million to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name, respectively, as a result of the Company s interim impairment testing of goodwill and indefinite-lived intangible assets. See Note 1 to the consolidated financial statements included elsewhere in this prospectus for further details.

In 2011, the Company recorded a pre-tax non-cash impairment charge of $36.7 million to reduce the carrying value of trade names as a result of the Company s annual impairment testing of goodwill and indefinite-lived intangible assets. These charges are included in the results of continuing operations. There were no similar impairment charges included in continuing operations in 2010. See Note 1 to the consolidated financial statements elsewhere in this prospectus for further details.

The 2012, 2011 and 2010 results include restructuring charges of $18.2 million, $8.2 million and $11.4 million, respectively, as described in Note 8 to the consolidated financial statements elsewhere in this prospectus.

(2) The 2012 results include a $55.6 million ($35.4 million, net of tax) loss on extinguishment of debt related to the redemption of the remaining $996 million aggregate principal amount of the Company s 10.75% senior notes maturing in 2015 (the 2015 Notes) and repayment of $276 million of outstanding borrowings under the Term Facilities.

Table of Contents

(3) In 2011, in conjunction with the decision to dispose of TruGreen LandCare, a pre-tax non-cash impairment charge of $34.2 million was recorded to reduce the carrying value of TruGreen LandCare s assets to their estimated fair value less cost to sell in accordance with applicable accounting standards. Upon completion of the sale of TruGreen LandCare in 2011, the Company recorded a pre-tax loss on sale of $6.2 million. In 2012, upon finalization of certain post-closing adjustments and disputes, the Company recorded an additional $1.3 million loss. In 2010, the Company recorded a pre-tax non-cash impairment charge associated with the goodwill and trade name at its TruGreen LandCare business in the amount of $46.9 million. These charges are classified within the financial statement caption (loss) income from discontinued operations, net of income taxes.

(4) 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. In addition, the Company excludes residual value guarantee charges that do not result in additional cash payments to exit the facility at the end of the lease term. The Company uses Operating Performance as a supplemental measure to assess the Company s performance because it excludes non-cash stock-based compensation expense, non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger, restructuring charges and management and consulting fees. The Company presents Operating Performance because it believes that it is useful for investors, analysts and other interested parties in their analysis of the Company s operating results.

Charges relating to stock-based compensation expense and the impact of purchase accounting are non-cash and the exclusion of the impact of these items from Operating Performance allows investors to understand the current period results of operations of the business on a comparable basis with previous periods and, secondarily, gives the investors added insight into cash earnings available to service the Company s debt. We believe this to be of particular importance to the Company s public investors, which are debt holders. The Company also believes that the exclusion of purchase accounting, non-cash stock-based compensation expense, restructuring charges and management and consulting fees may provide an additional means for comparing the Company s performance to the performance of other companies by eliminating the impact of differently structured equity-based, long-term incentive plans, restructuring initiatives and consulting agreements (although care must be taken in making any such comparison, as there may be inconsistencies among companies in the manner of computing similarly titled financial measures).

Adjusted EBITDA and 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 accounting principles generally accepted in the United States of America (GAAP). Some of these limitations are:

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

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

- Adjusted EBITDA and Operating Performance do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments, nor should they be relied upon to assess current or future liquidity;

- 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 Operating Performance do not reflect any cash requirements for such replacements;

Table of Contents

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

- Operating Performance does not include purchase accounting and non-cash stock-based compensation expense; the latter of which may cause the overall compensation cost of the business to be understated; and

- Operating Performance does not include restructuring charges and management and consulting fees, the exclusion of which may cause the operating expenses of the business to be understated.

The following table presents a reconciliation of operating income to Adjusted EBITDA and Operating Performance for the periods presented.

	For the year ended December 31,		
(Dollars in thousands)	**2012**	**2011**	**2010**
Operating (loss) income(a)	$ (532,762)	$ 375,460	$ 306,692
Depreciation and amortization expense	146,242	163,436	196,625
EBITDA	(386,520)	538,896	503,317
Interest and net investment income(b)	7,845	10,886	9,358
Residual value guarantee charge(c)			10,449
Non-cash goodwill and trade name impairment(d)	908,873	36,700	
Adjusted EBITDA	530,198	586,482	523,124
Non-cash stock-based compensation expense	7,119	8,412	9,352
Non-cash credits attributable to purchase accounting(e)	(16)	(81)	(372)
Restructuring charges(f)	18,177	8,162	11,448
Management and consulting fees(g)	7,250	7,500	7,500
Operating Performance	$ 562,728	$ 610,475	$ 551,052
Memo: Items excluded from Operating Performance			
Operating performance of discontinued operations(h)	$ (1,138)	$ (3,267)	$ 8,640

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

	For the year ended December 31,		
(Dollars in thousands)	**2012**	**2011**	**2010**
Operating (loss) income	$ (532,762)	$ 375,460	$ 306,692
Non-operating Expense (Income):			
Interest expense	246,284	273,123	286,933
Interest and net investment income	(7,845)	(10,886)	(9,358)
Loss on extinguishment of debt	55,554	774	
Other expense	622	700	733
(Loss) Income from continuing operations before income taxes	(827,377)	111,749	28,384
(Benefit) provision for income taxes	(114,260)	43,912	10,945
Equity in losses of joint venture	(226)		
(Loss) income from continuing operations	(713,343)	67,837	17,439

Loss from discontinued operations, net of income taxes		(200)		(27,016)		(31,998)
Net (Loss) Income	$	(713,543)	$	40,821	$	(14,559)

(b) Interest and net investment income is primarily comprised of investment income and realized gain (loss) on our American Home Shield segment investment portfolio. Cash, short-term and long-term marketable securities associated with regulatory requirements in connection with American Home Shield and for other purposes totaled $243.7 million as of December 31, 2012. American Home Shield interest and net investment income was $6.2 million, $9.8 million and $6.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. The balance of interest and net investment income primarily relates to (i) investment income (loss) from our employee deferred compensation trust (for which there is a

Table of Contents

corresponding and offsetting change in compensation expense within (loss) income from continuing operations before income taxes) and (ii) interest income on other cash balances.

(c) Represents non-cash residual value guarantee charges recorded in 2010 related to a synthetic lease for operating properties, which expired in July 2010. There were no similar charges in 2012 or 2011.

(d) Represents, as a result of the Company s impairment testing of indefinite-lived intangible assets, pre-tax non-cash impairment charges of $908.9 million recorded in the year ended December 31, 2012 to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name and $36.7 million recorded in the year ended December 31, 2011 to reduce the carrying value of the TruGreen trade name. There were no similar impairment charges included in continuing operations in 2010. See Note 1 to our consolidated financial statements included elsewhere in this prospectus for further information.

(e) 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.

(f) Represents restructuring charges primarily related to a branch optimization project at Terminix, a reorganization of field leadership and a restructuring of branch operations at TruGreen, a reorganization of leadership at American Home Shield and ServiceMaster Clean, and an initiative to enhance capabilities and reduce costs in our centers of excellence at Other Operations and Headquarters.

(g) Represents management and consulting fees payable to certain related parties. See Note 10 to our consolidated financial statements included elsewhere in this prospectus for further information on management and consulting fees.

(h) The table included in Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Review Discontinued Operations presents reconciliations of operating (loss) income to EBITDA and Operating Performance for the periods presented.

Table of Contents

RISK FACTORS

Investing in the Notes involves a high degree of risk. Before you make your investment decision, you should carefully consider the risks described below and the other information contained in this prospectus, including the consolidated financial statements and the related notes. If any of the following risks actually occurs, our business, financial position, results of operations or cash flows could be materially adversely affected.

Risks Related to Our Business and Our Industry

Adverse credit and financial market events and conditions could, among other things, impede access to or increase the cost of financing or cause our commercial and governmental customers to incur liquidity issues that could lead to some of our services not being purchased or being cancelled, or result in reduced operating revenue and lower operating income, any of which could have an adverse impact on our business, financial position, results of operations and cash flows.

Adverse developments in the credit and financial markets, including due to the ongoing European financial and economic crisis and concerns over U.S. debt ceiling, deficit and budget issues, as well as unstable consumer sentiment and high unemployment, continue to challenge the U.S. and global financial and credit markets and overall economies. These developments have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. Disruptions in credit or financial markets could, among other things, lead to impairment charges, make it more difficult for us to obtain, or increase our cost of obtaining, financing for our operations or investments or to refinance our indebtedness, cause our lenders to depart from prior credit industry practice and not give technical or other waivers under our financing agreements, to the extent we may seek them in the future, thereby causing us to be in default under one or more of the financing agreements. These disruptions also could cause our commercial customers to encounter liquidity issues that could lead to some of our services being cancelled or reduced, or that could result in an increase in the time it takes our customers to pay us, or that could lead to a decrease in pricing for our services and products, any of which could adversely affect our accounts receivable, among other things, and, in turn, increase our working capital needs. Volatile swings in the commercial real estate segment could also impact the demand for our services as landlords cut back on services provided to their tenants. In addition, adverse developments at federal, state and local levels associated with budget deficits resulting from economic conditions could result in federal, state and local governments decreasing their purchasing of our products or services and/or increasing taxes or other fees on businesses, including ServiceMaster, to generate more tax revenues, which could negatively impact spending by commercial customers and municipalities on our services.

Adverse developments in the credit and financial markets could adversely affect our ability to borrow under the Revolving Credit Facility or the synthetic letter of credit facility (the L/C Facility , together with the senior secured term loan facility (the Term Loan Facility), the Term Facilities and, together with the Revolving Credit Facility, the Credit Facilities) in the future or to refinance our debt. Liquidity or capital problems at one or more of the Revolving Credit Facility lenders could reduce or eliminate the amount available for us to draw under such facility. We may not be able to access additional capital on terms acceptable to us or at all.

Adverse developments in the credit and financial markets, along with other economic uncertainties, could also get worse over time. Adverse developments in the credit and financial markets and economic uncertainties make it difficult for us to accurately forecast and plan future business activities. The continuance of the current uncertain economic conditions or further deterioration of such conditions could have a material adverse impact on our business, financial position, results of operations and cash flows.

Further weakening in general economic conditions, especially as they may affect home sales, unemployment or consumer confidence or spending levels, may adversely impact our business, financial position, results of operations and cash flows.

A substantial portion of our results of operations is dependent upon spending by consumers. Deterioration in general economic conditions and consumer confidence could affect the demand for our services. Consumer spending and confidence tend to decline during times of declining economic conditions, and consumer spending and

Table of Contents

confidence may not materially improve. A worsening of macroeconomic indicators, including weak home sales, higher home foreclosures, declining consumer confidence or rising unemployment rates, could adversely affect consumer spending levels, reduce the demand for our services and adversely impact our business, financial position, results of operations and cash flows. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would adversely impact our business, financial position, results of operations and cash flows.

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

The demand for our services and our results of operations are affected by weather conditions, including, without limitation, potential impacts, if any, from climate change, known and unknown, and by the seasonal nature of our termite and pest control services, lawn care services, home inspection services and disaster restoration services. For example, in geographies that do not have a year-round growing season, the demand for our lawn care services decreases during the winter months. Adverse weather conditions (e.g., droughts, severe storms and significant rain or snow fall), whether created by climate change factors or otherwise, can adversely impact the timing of product or service delivery or demand for lawn care services, and cooler temperatures can impede the development of the termite swarm and lead to lower demand for our termite control services. Severe winter storms can also impact our home cleaning business if we cannot travel to service locations due to hazardous road conditions. In addition, extreme temperatures can lead to an increase in service requests related to household systems and appliances in our American Home Shield business, resulting in higher claim frequency and costs and lower profitability thereby adversely impacting our business, financial position, results of operations and cash flows.

Availability of our raw materials and increases in raw material prices, fuel prices and other operating costs could adversely impact our business, financial position, results of operations and cash flows.

Our financial performance is affected by the level of our operating expenses, such as fuel, fertilizer, chemicals, refrigerants, parts, appliances and equipment, 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 previous increases in fuel prices increased our costs of operating vehicles and equipment. We cannot predict what effect recent global events or any future Middle East or other crisis could have on fuel prices, but it is possible that such events could lead to higher fuel prices. With respect to fuel, our fleet, which consumes approximately 20 million gallons annually, has been negatively impacted by significant increases in fuel prices in the past and could be negatively impacted in the future. Although we hedge a significant portion of our fuel costs, we do not hedge all of those costs. A 10 percent change in fuel prices would result in a change of approximately $7.0 million in our annual fuel cost before considering the impact of fuel swap contracts. Based upon Department of Energy fuel price forecasts, as well as the hedges we have executed to date for 2013, we have projected that fuel prices will not significantly increase our fuel costs for 2013 compared to 2012. 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 costs of fuel, fertilizer, chemicals, raw materials, wages, employee benefits, health care, vehicles, insurance and other operating costs. To the extent such costs increase, we may be prevented, in whole or in part, from passing these cost increases through to our existing and prospective customers, and the rates we pay to our subcontractors and suppliers may increase, any of which could have a material adverse impact on our business, financial position, results of operations and cash flows.

We may not successfully implement our business strategies, including achieving our growth objectives.

We may not be able to fully implement our business strategies or realize, in whole or in part within the expected time frames, the anticipated benefits of our various growth or other initiatives. Our various business strategies and initiatives, including our growth, productivity and customer retention, cost reduction and management initiatives are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. For example, we recently embarked on a shift in strategy at TruGreen that includes redesigning our product offerings, transforming the customer experience through new technology, new processes and stricter branch standards, and rebalancing our sales and marketing mix towards channels with higher retention

Table of Contents

and profitability. In 2012, we experienced significant decreases in operating revenue and Operating Performance at TruGreen for full-year 2012 as compared to 2011 as we pursued this new strategy. There can be no assurance that our new strategy will succeed in positioning TruGreen for future operating revenue and Operating Performance growth. In addition, delays, higher than expected costs or unsuccessful implementation of new information technology systems, including the new operating systems at American Home Shield and Merry Maids, which are currently under development, and TruGreen s new operating system, which is in the process of being deployed, could adversely impact our operations. In addition, we may incur certain costs to achieve efficiency improvements and growth in our business and we may not meet anticipated implementation timetables or stay within budgeted costs. We have already experienced unexpected delays and other issues associated with the development of the operating system at American Home Shield which have resulted in a delay in the projected start of the first phase of our implementation. We expect to continue to incur capitalizable and non-capitalizable technology charges through implementation of the operating system, which is expected to occur in various phases over a period of time. As these efficiency improvement and growth initiatives are undertaken, we may not fully achieve our expected cost savings and efficiency improvements or growth rates, or these initiatives could adversely impact our customer retention or our operations. In addition, our strategies to enhance talent management and adopt and transfer best practices across our businesses may not produce the growth, efficiencies and productivity levels we seek and may present unforeseen challenges. Also, our business strategies may change from time to time in light of our ability to implement our new business initiatives, competitive pressures, economic uncertainties or developments, or other factors. As a result, we may not be able to achieve our expected results of operations and cash flows.

Our market segments are highly competitive. Competition could reduce our share of the market segments served by us and adversely impact our reputation, business, financial position, results of operations and cash flows.

We operate in highly competitive market segments. Changes in the source and intensity of competition in the market segments served by us impact the demand for our services and may also result in additional pricing pressures. The relatively low capital cost of entry into certain of our business categories has led to strong competitive market segments, including competition from 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. We may be unable to compete successfully against current or future competitors, and the competitive pressures that we face may result in reduced market segment share, reduced pricing or adversely impact our reputation, business, financial position, results of operations and cash flows.

We may not be able to attract and retain qualified key executives or transition smoothly to new leadership, including a new CEO when named, which could adversely impact us and our businesses and inhibit our ability to operate and grow successfully.

On April 12, 2013, we announced that Harry J. Mullany III, our former Chief Executive Officer (CEO), had resigned from the Company effective as of such date. John Krenicki, Jr., the Chairman of the board of directors of Holdings, will serve as Interim CEO until a new CEO is named. The execution of our business strategy and our financial performance will continue to depend in significant part on our executive management team and other key management personnel and the smooth transition to new senior leadership, including a new CEO when named. We have recently enhanced many of our senior management positions, including the hiring of Thomas J. Coba as President, ServiceMaster Clean, Merry Maids, Furniture Medic & AmeriSpec; Linda A. Goodspeed as Senior Vice President and Chief Information Officer; Mark J. Barry as President, American Home Shield; and R. David Alexander as President, TruGreen. Our future success depends in large part on our success in utilizing current, experienced senior leadership and transitioning responsibilities to, and implementing the goals and objectives of, our new business unit executives. Effective November 27, 2012, Roger A. Cregg, the former Chief Financial Officer (CFO) of the Company, resigned from the Company. The Company s Controller, David W. Martin, is serving as Interim CFO of the Company until a new CFO is named. Effective March 29, 2013, Charles M. Fallon, the former President of Terminix, resigned from the Company. Terminix s Vice President of Operations, Larry Pruitt, will serve as interim President of Terminix until a new President of Terminix is named. Any inability to attract in a timely manner qualified key executives, retain our leadership team and recruit other important personnel could have a material adverse impact on our business, financial position, results of operations and cash flows.

Public perceptions that the products we use and the services we deliver are not environmentally friendly or safe may adversely impact the demand for our services.

In providing our services, we use, among other things, fertilizers, herbicides and pesticides. Public perception that the products we use and the services we deliver are not environmentally friendly or safe or are harmful to humans or animals, whether justified or not, or our improper application of these chemicals, could reduce demand for our services, increase regulation or government restrictions or actions, result in fines or penalties, impair our reputation, involve us in litigation, damage our brand names and otherwise have a material adverse impact on our business, financial position, results of operations and cash flows.

Changes in the services we deliver or the products we use could impact our reputation, business, financial position, results of operations and cash flows and our future plans.

Our financial performance is affected by changes in the services and products we offer our customers. For example, American Home Shield initiated the offering of preventative maintenance contracts and other new products. In addition, TruGreen recently embarked on a shift in strategy that includes redesigning its product offerings, transforming the customer experience through new technology, new processes and stricter branch standards, and rebalancing its sales and marketing mix towards channels with higher retention and profitability. There can be no assurance that our new strategy will succeed in positioning TruGreen for future operating revenue and Operating Performance growth. An unsuccessful execution of this strategy, including the rollout or adjustment of our new services or products or TruGreen s sales and marketing plans could cause us to re-evaluate or change our business strategies and could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows and our future plans.

Laws and government regulations applicable to our businesses could increase our legal and regulatory expenses, and impact our business, financial position, results of operations and cash flows.

Our businesses are subject to significant international, federal, state, provincial and local laws and regulations. These laws and regulations include laws relating to consumer protection, wage and hour requirements, franchising, the employment of immigrants, labor relations, permitting and licensing, building code requirements, workers safety, the environment, insurance and home warranties, employee benefits, marketing (including, without limitation, telemarketing or green marketing) and advertising, the application and use of fertilizers, herbicides, pesticides and other chemicals, noise and air pollution from power equipment and water management techniques. In particular, we anticipate that various international, federal, state, provincial and local governing bodies may propose additional legislation and regulation that may be detrimental to our business or may substantially increase our operating costs, including proposed legislation, such as the Employee Free Choice Act, the Paycheck Fairness Act and the Arbitration Fairness Act; environmental regulations related to water quality, water use, chemical use, climate change, equipment efficiency standards, refrigerant production and use and other environmental matters; other consumer protection laws or regulations; or do-not-knock, do-not-mail, do-not-leave or other marketing regulations. It is difficult to predict the future impact of the broad and expanding legislative and regulatory requirements affecting our businesses and changes to such requirements may adversely affect our business, financial position, results of operations and cash flows. 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 or suffer the loss of licenses or incur penalties that may affect how our business is operated, which, in turn, could have a material adverse impact on our business, financial position, results of operations and cash flows.

The enactment of new federal or state legislation or the promulgation of new regulations or interpretations at any level of government may also expose us to potential new liabilities or costs, or may require us to modify our business model or business practices. In March 2010, comprehensive health care reform legislation was enacted in the United States which, among other things, includes guaranteed coverage requirements, including for dependents up to age 26; eliminates pre-existing condition exclusions and annual and lifetime maximum limits; restricts the extent to which policies can be rescinded; and requires employers to provide employees with insurance coverage that meets minimum eligibility and coverage requirements. The legislation imposes implementation effective dates that began in 2010. Due to the breadth and complexity of the health reform legislation and uncertainties surrounding the issuance of final regulations, it is difficult to predict the overall impact of the health reform legislation on our business over the coming years. However, new requirements to provide additional health insurance benefits to our associates would likely increase our expenses, and any such increases could be significant enough to materially impact our business, financial position, results of operations and cash flows. Additional or new regulations, or changes in current regulations, promulgated by the U.S. Consumer Financial Protection Bureau may also require us to modify our business model or business practices.

Table of Contents

Compliance with environmental, health and safety laws and regulations, including laws pertaining to the use of pesticides, herbicides and fertilizers, could result in significant costs that adversely impact our reputation, business, financial position, results of operations and cash flows.

International, federal, state, provincial and local laws and regulations relating to environmental, health and safety matters affect us in several ways. In the United States, products containing pesticides generally must be registered with the U.S. Environmental Protection Agency (EPA) and similar state agencies before they can be sold or applied. The failure to obtain or the cancellation of any such registration, or the 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 international, federal, state, provincial and local environmental and public health agencies. These regulations may ban or restrict applications or use or require that only certified or professional users apply the product or that certain products only be used on certain types of locations. These laws may also require users to post notices on properties at 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. Although we strive to comply with such regulations and have processes in place designed to achieve compliance, given our dispersed locations, distributed operations and numerous associates, we may be unable to prevent violations of these or other regulations from occurring. Even if we are able to comply with all such regulations and obtain all necessary registrations and licenses, the pesticides, herbicides, fertilizers or other products we apply, or the manner in which we apply them, could be alleged to cause injury to the environment, to people or to animals, or such products could be banned in certain circumstances. The regulations may apply to third-party vendors who are hired to repair or remediate property and who may fail to comply with environmental laws and regulations and subject us to risk of legal exposure. The costs of compliance, non-compliance, remediation, combating unfavorable public perceptions or defending products liability lawsuits could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

International, federal, state, provincial and local agencies regulate the disposal, handling and storage of waste, discharges from our facilities and the investigation and clean-up of contaminated sites. We could incur significant costs, including investigation and clean-up costs, fines, penalties 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 or circumstances surrounding the assumptions upon which we operate, or if we are found to violate applicable environmental and public health laws and regulations, it could have a material adverse impact on future environmental capital expenditures and other environmental expenses and on our reputation, financial position, results of operations 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.

International, federal, state, provincial and local agencies that regulate environmental matters may change environmental laws, regulations or standards, including imposing new regulations with respect to climate change matters. Changes in any of these or other laws, regulations or standards could materially adversely impact our business, financial position, results of operations and cash flows.

If we fail to protect the security of personal information about our customers, we could be subject to interruption of our business operations, private litigation, reputational damage and costly penalties.

We rely on, among other things, commercially available systems, software, tools and monitoring to provide security for processing, transmission and storage of confidential customer information, such as payment card and personal information. The systems currently used for transmission and approval of payment card transactions, and the technology utilized in payment cards themselves, all of which can put payment card data at risk, are central to meeting standards set by the payment card industry (PCI). We continue to evaluate and modify our systems and protocols for PCI compliance purposes, and such PCI standards may change from time to time. Activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and

Table of Contents

other events or developments may facilitate or result in a compromise or breach of our systems. Any compromises, breaches or errors in application related to our systems or failures to comply with standards set by the PCI could cause damage to our reputation and interruptions in our operations, including our customers ability to pay for our services and products by credit card or their willingness to purchase our services and products and could result in a violation of applicable laws, regulations, orders, industry standards or agreements and subject us to costs, penalties and liabilities which could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

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

Our strategy to increase profitability, in part, by reducing our costs of operations includes the implementation of certain business process outsourcing initiatives. 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, reputation, customer relationships, financial position, results of operations and cash flows. Also, to the extent 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, and even if we find an alternate provider, or choose to insource such services, there are significant risks associated with any transitioning activities. In addition, to the extent we decide to terminate outsourcing services and insource such services, there is a risk that we may not have the capabilities to perform these services internally, resulting in a disruption to our business, which could adversely impact our reputation, business, financial position, results of operations and cash flows. We expect to phase out a significant portion of our use of information technology services provided by International Business Machines Corporations (IBM) by the end of 2013. We could incur costs, including personnel and equipment costs, to insource previously outsourced services like these, and these costs could adversely affect our results of operations and cash flows.

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, ServiceMaster, Terminix, TruGreen, Merry Maids, ServiceMaster Clean, American Home Shield, AmeriSpec and Furniture Medic. We have not sought to register or protect every one of our marks either in the United States or in every country in which they are or may be 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 impact on our reputation, business, financial position, results of operations and cash flows.

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, services or activities 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 operating our business in the manner in which we have in the past, including preventing us from providing certain services under our recognized brand names, all of which could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

Disruptions or failures in our information technology systems could create liability for us or limit our ability to effectively monitor, operate and control our operations and adversely impact our reputation, business, financial position, results of operations and cash flows.

Our information technology systems facilitate our ability to monitor, operate and control our operations. Changes or modifications to our information technology systems could cause disruption to our operations or cause challenges with respect to our compliance with laws, regulations or other applicable standards. For example, delays, higher than expected costs or unsuccessful development and implementation of new operating systems at American Home Shield and Merry Maids, which are currently under development, and at TruGreen, which is in the process of

Table of Contents

being deployed, could adversely impact our operations. We have already experienced unexpected delays and other issues associated with the development of the operating system at American Home Shield which has resulted in a delay in the projected start of the first phase of our implementation. We expect to continue to incur capitalizable and non-capitalizable technology charges through implementation of the operating system, which is expected to occur in various phases over a period of time. We are relying on third-party providers to develop and implement our operating systems, and disruption, termination or substandard performance by these providers could negatively impact the development and implementation of these systems. As the development and implementation of our information technology systems (including our operating systems) evolve, we may elect to modify, replace or abandon certain technology initiatives, which could result in write-downs. For example, in 2012 we incurred a $4.2 million charge related to the abandonment of certain internally developed software for Merry Maids. In addition, when a third-party provider relationship is terminated, there is a risk of disputes or litigation and 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, and even if we find an alternate provider, there are significant risks associated with any transitioning activities.

In addition, any disruption in, capacity limitations, stability or failure to operate as expected of our information technology systems, including our new operating systems at American Home Shield, TruGreen and Merry Maids and our information technology initiative for our human resources function, could, depending on the magnitude of the problem, adversely impact our business, financial position, results of operations and cash flows, including by limiting our capacity to monitor, operate and control our operations effectively, or could have a negative impact on the services provided by our human resources center of excellence. Failures of our information technology systems could also lead to violations of privacy laws, regulations, trade guidelines or practices related to our customers and associates. If our disaster recovery plans do not work as anticipated, or if the third-party vendors to which we have outsourced certain information technology, contact center or other services fail to fulfill their obligations to us, our operations may be adversely impacted and any of these circumstances could adversely impact our reputation, business, financial position, results of operations and cash flows.

Future acquisitions or other strategic transactions could impact our reputation, business, financial position, results of operations and cash flows.

We may pursue strategic transactions in the future domestically and internationally, which could involve acquisitions or dispositions of businesses or assets or joint ventures with strategic partners. Any future strategic transaction could involve integration or implementation challenges, business disruption or other risks, or change our business profile significantly. Any inability on our part to consolidate and manage growth from acquired businesses or successfully implement dispositions or other strategic transactions could have an adverse impact on our reputation, business, financial position, results of operations and cash flows. Any acquisition or joint venture we undertake may not provide us with the benefits that were anticipated when entering into such transaction. The process of integrating an acquired business or establishing a joint venture 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 associates, customers and suppliers; the assumption of actual or contingent liabilities (including those relating to the environment); monitoring and complying with governmental and regulatory schemes; failure to effectively and timely adopt and adhere to our internal control processes and other policies; write-offs or impairment charges relating to goodwill and other intangible assets; unanticipated liabilities relating to acquired businesses; and potential expense associated with litigation with sellers of such businesses. Any disposition transaction could also negatively impact our business and may subject us to various risks, including failure to obtain appropriate value for the disposed business; exposure to post-closing claims, other actual or contingent liabilities, and expenses; difficulties retaining associates, customers and suppliers; material costs and charges associated with the disposition; and disruption to our other businesses and distraction of management during the disposition process or thereafter.

We are subject to various restrictive covenants that could adversely impact our business, financial position, results of operations and cash flows.

From time to time, we enter into noncompetition agreements or other restrictive covenants (e.g., exclusivity, take or pay and non-solicitation), including in connection with business dispositions (including our former business TruGreen LandCare, as to commercial landscaping) or strategic contracts, that restrict us from entering into lines of business or operating in certain geographic areas into which we may desire to expand our business. We also are subject to various non-solicitation and no-hire covenants that may restrict our ability to solicit

Table of Contents

potential customers or associates. If we do not comply with such restrictive covenants, or if a dispute arises regarding the scope and interpretation thereof, litigation could ensue, which could have an adverse impact on our business, financial position, results of operations and cash flows. Further, to the extent that such restrictive covenants prevent us from taking advantage of business opportunities, our business, financial position, results of operations and cash flows may be adversely impacted.

Our future success depends on our ability to attract, retain and maintain positive relations with trained workers and third-party contractors.

Our future success and financial performance depend substantially on our ability to attract, train and retain workers, attract and retain third-party contractors and ensure third-party contractor compliance with our policies and standards. Our ability to conduct 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. 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 associates, which would result in higher operating costs and reduced profitability. New election rules by the National Labor Relations Board, including expedited elections and restrictions on appeals, could lead to increased organizing activities at our subsidiaries or franchisees. If these labor organizing activities were successful, it could further increase labor costs, decrease operating efficiency and productivity in the future, or otherwise disrupt or negatively impact our operations. In addition, potential competition from key associates who leave ServiceMaster could impact our ability to maintain our market segment share in certain geographic areas.

We may be required to recognize additional impairment charges.

We have significant amounts of goodwill and intangible assets, such as trade names, and have incurred impairment charges in 2012 and earlier periods with respect to goodwill and intangible assets. We have also incurred impairment charges in the past in connection with our disposition activities. In accordance with applicable accounting standards, goodwill and intangible assets that are not amortized are subject to assessment for impairment by applying a fair-value based test annually, or more frequently if there are indicators of impairment, including:

- significant adverse changes in the business climate, including economic or financial conditions;
- significant adverse changes in expected operating results;
- adverse actions or assessments by regulators;
- unanticipated competition;
- loss of key personnel; and

- a current expectation that more-likely-than-not (e.g., a likelihood that is more than 50%) a reporting unit or intangible asset will be sold or otherwise disposed of.

In 2012, based on lower projected revenue and operating results for TruGreen, we recorded pre-tax non-cash impairment charges of $790.2 million and $118.7 million to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name, respectively, as a result of our interim impairment testing of indefinite-lived intangible assets as of September 30, 2012 and June 30, 2012. In 2011, we also recorded pre-tax non-cash impairment charges of $36.7 million to reduce the carrying value of the TruGreen trade name as a result of our annual impairment testing of goodwill and intangible assets. Additionally, as a result of the decision to sell TruGreen LandCare, we recorded a $34.2 million impairment charge in the first quarter of 2011 to reduce the carrying value of TruGreen LandCare s assets to their estimated fair value less cost to sell in accordance with applicable accounting standards. Upon completion of the sale, a $6.2 million loss on sale was recorded in loss from discontinued operations, net of tax. In the second quarter of 2010, we recorded a pre-tax non-cash impairment charge of $46.9 million, of which $43.0 million was related to the remaining goodwill at TruGreen LandCare and

Table of Contents

$3.9 million related to TruGreen LandCare s trade name. All impairments related to TruGreen LandCare are recorded in loss from discontinued operations, net of income taxes.

Based upon future economic and financial market conditions, the operating performance of our reporting units and other factors, including those listed above, future impairment charges could be incurred. In particular, any further decline in the estimated fair value of the TruGreen trade name will result in additional trade name impairment. It is possible that such impairment, if required, could be material. Any future impairment charges that we are required to record could have a material adverse impact on our results of operations.

Our franchisees and third-party distributors and vendors could take actions that could harm our business.

Our franchisees, third-party distributors and vendors are contractually obligated to operate their businesses in accordance with the standards set forth in our agreements with them. Each franchising brand also provides training and support to franchisees. However, franchisees, third-party distributors and vendors are independent third parties that we do not control, and the franchisees, third party distributors and vendors own, operate and oversee the daily operations of their businesses. As a result, the ultimate success of any franchise operation rests with the franchisee. If franchisees do not successfully operate their businesses in a manner consistent with required standards, royalty payments to us will be adversely affected and a brand s image and reputation could be harmed, which in turn could adversely impact our business, financial position, results of operations and cash flows. Similarly, if third-party distributors and vendors do not successfully operate their businesses in a manner consistent with required laws, standards and regulations, we could be subject to claims from regulators or legal claims for the actions or omissions of such third-party distributors and vendors. In addition, our relationship with our franchisees, third-party distributors and vendors could become strained (including resulting in litigation) as we impose new standards or assert more rigorous enforcement practices of the existing required standards. It is also possible that creditors, or other claimants, of a franchisee, third party-distributor or vendor could attempt to make claims against us under various legal theories, such as in the event such creditors and claimants cannot collect from our franchisee. These strains in our relationships or claims could have a material adverse impact on our reputation, business, financial position, results of operations and cash flows.

Changes in accounting, securities and other rules or interpretations could adversely impact our financial position and results of operations.

Changes in accounting, securities and other rules applicable to our business, including proposed revisions to the rules related to accounting for leases and reserves for, and disclosures relating to, legal contingencies, could affect our reported results of operations and financial position, potentially decrease the comparability of our financial statements to others within our industry and increase our liability exposure.

Risk Factors Related to the Notes

We have substantial indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and satisfy our obligations.

As of December 31, 2012, we had $3.961 billion of total long-term debt outstanding. We have available borrowing capacity under the Revolving Credit Facility of $447.7 million through July 24, 2013, $324.2 million from July 25, 2013 through July 24, 2014 and $265.2 million from July 25, 2014 through January 31, 2017. Our substantial debt could have important consequences to holders of our debt and other stakeholders in the Company. Because of our substantial indebtedness:

- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing is limited;

- 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 our indebtedness may be impaired in the future;

Table of Contents

- a large portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, 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 Credit Facilities, and certain floating rate operating and capital 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 indebtedness;

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

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

- our ability to refinance indebtedness may be limited or the associated costs may increase;

- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited; and

- we may be prevented from carrying out capital spending and restructurings that are 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 indebtedness. This could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the instruments governing our indebtedness do not prohibit us or fully prohibit our subsidiaries from doing so. We have available borrowing capacity under the Revolving Credit Facility of $447.7 million through July 24, 2013, $324.2 million from July 25, 2013 through July 24, 2014 and $265.2 million from July 25, 2014 through January 31, 2017. The Credit Facilities permit additional borrowings beyond those commitments under certain circumstances. If new indebtedness is added to our current indebtedness levels, the related risks we face would increase, and we may not be able to meet all of our debt obligations.

Our ability to generate the significant amount of cash needed to pay interest and principal on our indebtedness, including the Notes, and our ability to refinance all or a portion of our indebtedness 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 depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses, including satisfying our obligations under our indebtedness, including the Notes. Our ability to make scheduled payments on, or to refinance our obligations under, our indebtedness, including the Notes, depends on the financial and operating performance of our subsidiaries and their ability to make distributions and dividends to us, which, in turn, depends on their results of operations, cash flows, cash requirements, financial position and 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 Related to Our Business and Our Industry above.

The payment of ordinary and extraordinary dividends by our subsidiaries that are regulated as insurance, home warranty, 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. Our insurance subsidiaries and home warranty and similar subsidiaries (through which we conduct our American Home Shield business) are subject to significant regulatory restrictions under the laws and regulations of the states in which they operate. Among other things, such laws and regulations require certain such

Table of Contents

subsidiaries to maintain minimum capital and net worth requirements and may limit the amount of ordinary and extraordinary dividends and other payments that these subsidiaries can pay to us. For example, certain states prohibit payment by these subsidiaries to the Company of dividends in excess of 10 percent of their capital as of the most recent year end, as determined in accordance with prescribed insurance accounting practices in those states. Of the $243.7 million as of December 31, 2012, which we identify as being potentially unavailable to be paid to the Company by its subsidiaries, approximately $188.7 million is held by our home warranty and insurance subsidiaries and is subject to these regulatory limitations on the payment of funds to us. We expect that such limitations will be in effect through the end of 2013, at which time new limitations will be calculated based on regulatory capital levels as of December 31, 2013. The remainder of the $243.7 million, or $55.0 million, is related to amounts that our management does not consider readily available to be used to service our indebtedness due, among other reasons, to our cash management practices and working capital needs at various subsidiaries.

We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness. 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 indebtedness. In the future, our cash flow and capital resources may not be sufficient for payments of interest on and principal of our indebtedness, and such alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

The maturity date for the approximately $2.220 billion of borrowings outstanding under the Term Facilities is January 31, 2017. The Revolving Credit Facility is also scheduled to mature on January 31, 2017. The 8% Notes will mature on February 15, 2020, and the 7.000% Notes will mature on August 15, 2020. We may be unable to refinance any of our indebtedness or obtain additional financing, particularly because of our high levels of indebtedness. Market disruptions, such as those experienced in 2008 and 2009, as well as our significant indebtedness levels, may increase our cost of borrowing or adversely affect our ability to refinance our obligations as they become due. If we are unable to refinance our indebtedness or access additional credit, or if short-term or long-term borrowing costs dramatically increase, our ability to finance current operations and meet our short-term and long-term obligations could be adversely affected.

If we cannot make scheduled payments on our indebtedness, we will be in default and holders of the 8% Notes and the 7.000% Notes could declare all outstanding principal and interest to be due and payable, the lenders under the Credit Facilities could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events could result in the loss of your investment in the Notes.

We may from time to time take steps to reduce or refinance outstanding debt, including the Notes, or otherwise to reduce interest expense and other debt service obligations. These steps may include open market repurchases, debt repricings, maturity extensions, and other retirements, purchases or refinancings of outstanding debt, including the Notes, in whole or in part, in addition to making any required scheduled installment payments. The timing of any such step and the amount of debt that would be repurchased, refinanced or otherwise retired will depend on market conditions, our cash requirements and other considerations. The implementation of any such steps or other capital structure changes could adversely affect our debtholders, including by reducing the size of or yield on an applicable debt issue held by them.

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

A significant portion of our outstanding indebtedness, including indebtedness under the Credit Facilities, bears interest at variable rates. As a result, increases in interest rates would increase the cost of servicing our indebtedness and could materially reduce our profitability and cash flows. As of December 31, 2012, each one percentage point change in interest rates would result in an approximate $12.4 million change in the annual interest expense on our Term Loan Facility after considering the impact of the interest rate swaps into which we have entered. Assuming all revolving loans were fully drawn as of December 31, 2012, each one percentage point change in interest rates would result in an approximate $4.5 million change in annual interest expense on our Revolving Credit Facility.

Table of Contents

We are also exposed to increases in interest rates with respect to our arrangement enabling us to transfer an interest in certain receivables to unrelated third parties. Assuming all available amounts were transferred under this arrangement, each one percentage point change in interest rates would result in an approximate $0.5 million change in annual interest expense with respect to this arrangement. We are also exposed to increases in interest rates with respect to our floating rate operating and capital leases, and a one percentage point change in interest rates would result in an approximate $0.7 million change in annual expenses with respect to 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 indebtedness and floating rate leases.

The agreements and instruments governing our indebtedness 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 indebtedness (including guarantees of other indebtedness);
- pay dividends or make other restricted payments, including investments;
- prepay or amend the terms of certain outstanding indebtedness;
- 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 term loans under 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.

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

- incur additional indebtedness;
- repurchase certain indebtedness;
- pay dividends, redeem stock or make other distributions;
- make investments;
- create certain liens;
- transfer or sell assets;
- merge, consolidate or sell all or substantially all of our assets;
- create restrictions on the ability of our restricted subsidiaries to make payments to us;
- designate our subsidiaries as unrestricted subsidiaries; and

Table of Contents

- enter into certain transactions with our affiliates.

The restrictions in the Indenture, the Credit Facilities and the instruments governing our other indebtedness 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 may be unable to refinance our indebtedness, 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 indebtedness 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 indebtedness, lenders having secured obligations, such as the lenders under the Credit Facilities, could proceed against the collateral securing the indebtedness. 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 or our other outstanding indebtedness, including the Notes. This could have serious consequences to our financial position and results of operations and could cause us to become bankrupt or insolvent.

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 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, including, without limitation, the 8% Notes. 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 December 31, 2012, approximately $2.220 billion of our indebtedness was secured. We also have commitments for additional borrowings under the Revolving Credit Facility of $447.7 million through July 24, 2013, $324.2 million from July 25, 2013 through July 24, 2014 and $265.2 million from July 25, 2014 through January 31, 2017, all of which would be secured if borrowed.

The Notes are structurally 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 required to be made only 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

Table of Contents

American Home Shield companies), represent a significant portion of our operations and assets. As of December 31, 2012, our non-guarantor subsidiaries had approximately $169.2 million of total debt and capital leases, excluding trade payables and other obligations, all of which would have been structurally senior to the Notes.

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 and the Indenture), 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, which could further result in a cross default or cross acceleration of our debt issued under other instruments, and we could be forced into bankruptcy or liquidation. If amounts outstanding under the Credit Facilities, the 8% Notes, our other outstanding debt securities 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.

If we experience specified changes of control, we are required to make an offer to purchase all of the outstanding Notes (unless otherwise redeemed) at a price equal to 101 percent 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 and would trigger an obligation to repay the 8% Notes. In addition, agreements governing our other indebtedness 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 such agreements 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 such agreements (or make an offer to do so and repay all lenders who accept such an offer), 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, which could have materially adverse consequences to us and to the holders of the Notes. In the

Table of Contents

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 our other outstanding indebtedness. 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 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.

The definition of change of control contained in the Indenture includes a disposition of all or substantially all of our assets. Although there is a limited body of case law interpreting the phrase all or substantially all , there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of all or substantially all of our assets. As a result, it may be unclear as to whether a change of control has occurred and whether we are required to make an offer to repurchase the Notes.

Federal and state fraudulent transfer laws may permit a court to void the Notes and/or the guarantees, and if that occurs, you may not receive any payments on the Notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Notes and the incurrence of the guarantees of the Notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the Notes or the guarantees thereof could be voided as a fraudulent transfer or conveyance if the Company or any of the guarantors, as applicable, (a) issued the Notes or incurred the guarantee with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the Notes or incurring the guarantee and, in the case of (b) only, one of the following is also true at the time thereof:

- the Company or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the Notes or the incurrence of the guarantee;

- the issuance of the Notes or the incurrence of the guarantee left the Company or any of the guarantors, as applicable, with an unreasonably small amount of capital or assets to carry on its business; or

- the Company or any of the guarantors intended to, or believed that the Company or such guarantor would, incur debts beyond the Company s or such guarantor s ability to pay as they mature.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is satisfied. A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent such guarantor did not obtain a reasonably equivalent benefit from the issuance of the Notes.

We cannot be certain as to the standards a court would use to determine whether or not the Company or any of the guarantors were insolvent at the relevant time or, regardless of the standard that a court uses, whether the Notes or the guarantees would be subordinated to the Company s or any of the guarantors other debt. In general, however, a court would deem an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

Table of Contents

- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts as they became due.

If a court were to find that the issuance of the Notes or the incurrence of a guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the Notes or that guarantee, could subordinate the Notes or that guarantee to presently existing and future indebtedness of the Company or of the related guarantor or could require the holders of the Notes to repay any amounts received with respect to that guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the Notes.

The Indenture contains a savings clause intended to limit each subsidiary guarantor s liability under its guarantee to the maximum amount that it could incur without causing the guarantee to be a fraudulent transfer under applicable law. There can be no assurance that this provision will be upheld as intended.

Certain restrictive covenants in the Indenture will not apply during any time that such Notes achieve investment grade ratings.

Most of the restrictive covenants in the Indenture will not apply during any time that the Notes achieve investment grade ratings from Moody s and S&P and no default or event of default has occurred. If these restrictive covenants cease to apply, we may take actions, such as incur additional debt or make certain dividends or distributions, which would otherwise be prohibited under the Indenture. Ratings are given by these rating agencies based upon analyses that include many subjective factors. The Notes may not achieve investment grade ratings, and the investment grade ratings, if granted, may not reflect all of the factors that would be important to holders 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, and our performance, prospects, results of operations and financial position, as well as the performance 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.

A lowering or withdrawal of the ratings, outlook or watch assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our indebtedness currently has a non-investment grade rating, and any rating, outlook or watch assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency s judgment, current or future circumstances relating to the basis of the rating, outlook or watch, such as adverse changes to our business, so warrant. Based on the financial performance of our businesses, including the 2012 revenue and operating results of TruGreen, and the outlook for future years, our credit ratings, outlook or watch could be negatively impacted. Any future lowering of our ratings, outlook or watch likely would make it more difficult or more expensive for us to obtain additional debt financing.

Table of Contents

Risks Related to Not Participating in the Exchange Offer

You may have difficulty selling the Old Notes that you do not exchange.

If you do not exchange your Old Notes for the New Notes offered in the exchange offer, your Old Notes will continue to be subject to significant restrictions on transfer. Those transfer restrictions are described in the Indenture and arose because the Old Notes were originally issued under exemptions from the registration requirements of the Securities Act.

The Old Notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with applicable state securities laws. The Company did not register the Old Notes under the Securities Act, and it does not intend to do so. If you do not exchange your Old Notes, your ability to sell those Notes will be significantly limited.

If a large number of outstanding Old Notes are exchanged for New Notes issued in the exchange offer, it may be more difficult for you to sell your unexchanged Old Notes due to the limited amounts of Old Notes that would remain outstanding following the exchange offer.

Risks Related to Our Relationship with the Equity Owners

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

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

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains 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, seeks, aims, projects, is o estimates, anticipates or other comparable terms. Forward-looking statements include, without limitation, 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, assumptions or current expectations concerning, among other things, financial position; results of operations; cash flows; prospects; commodities trends; growth strategies or expectations; expanding our commercial services; expectations for American Home Shield s and Merry Maids new operating systems, which are currently under development, and TruGreen s new operating system, which is in the process of being deployed; capital expenditures and requirements, including for American Home Shield s, TruGreen s and Merry Maids new operating systems; estimates for phasing out certain IT services from IBM and projections for expenditures to IBM in 2013; plans for equipping TruGreen s sales associates with handheld technology to make the sales process more efficient and effective; human resources, finance and other outsourcing and insourcing arrangements; customer retention; the continuation of acquisitions; fuel prices; impairment charges related to goodwill and intangible assets and assumptions and estimates used in performing impairment analyses, including discount rates and revenue and cash flow projections; estimates of future amortization expense for intangible assets; attraction and retention of key personnel, including attracting a new CEO; the impact of interest rate hedges and fuel swaps; the cost savings from restructurings and reorganizations and expected charges related to such restructurings and reorganizations; the impact on the amount of unrecognized tax benefits resulting from pending tax settlements and expiration of statutes of limitations; the valuation of marketable securities; estimates of accruals for self-insured claims related to workers compensation, auto and general liability risks; estimates of accruals for home warranty claims; estimates of future payments under operating and capital leases; the outcome (by judgment or settlement) and costs of legal or administrative proceedings, including, without limitation, collective, representative or class action litigation; continuation of tuck-in acquisitions; potential indemnification claims associated with the TruGreen LandCare disposition; and the impact of prevailing economic conditions.

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 performance and outcomes, including, without limitation, our actual results of operations, financial condition and liquidity, and the development of the market segments 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 cash flows, and the development of the market segments 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, without limitation, the risks and uncertainties discussed in Risk Factors in this prospectus and the company s annual and quarterly reports filed with the SEC, could cause actual results and outcomes to differ materially from those reflected in the forward-looking statements. Additional 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 fund our operations and service our debt obligations, among other things;
- changes in interest rates, because a significant portion of our indebtedness bears interest at variable rates;

- changes in the discount rates, revenue growth, cash flow growth rates or other assumptions used by the Company in its assessment for impairment of goodwill and intangible assets and adverse economic conditions or other factors that would result in significant impairment charges to our goodwill and/or intangible assets;

Table of Contents

- our ability to secure sources of financing or other funding to allow for leasing of commercial vehicles, primarily for Terminix and TruGreen;

- our ability to successfully implement our strategy for TruGreen, including the redesign of TruGreen s product mix and the re-balancing of its sales mix and marketing program and the deployment of TruGreen s new mobility technology;

- changes in the source and intensity of competition in our market segments;

- our ability to attract and retain key personnel, including attracting a new CEO;

- weather conditions, including, without limitation, potential impacts, if any, from climate change, known and unknown, and seasonality factors that affect the demand for, or our ability to provide, our services and the cost and quantity of our claims and services;

- higher commodity prices and lack of availability thereof, including, without limitation, fuel and chemicals (primarily at Terminix and TruGreen), which could impact our ability to provide our services and the profitability of our brands;

- increases in operating costs, such as higher insurance premiums, self-insurance costs, labor expense and compensation and benefits costs, including, without limitation, costs related to the comprehensive health care reform law enacted in the first quarter of 2010;

- associate retention and labor shortages, changes in employment and wage and hour laws and regulations, such as equal pay initiatives, additional anti-discrimination rules or tests and different interpretations of exemptions from overtime laws;

- epidemics, pandemics or other public health concerns or crises that could affect the demand for, or our ability to provide, our services, resulting in a reduction in operating revenue;

- a continuation or change in general economic, financial and credit conditions in the United States and elsewhere (for example, any adverse developments in the global credit and financial markets due to the ongoing European financial and economic crisis and the United States debt ceiling, deficit and budget issues), especially as such may affect home sales, consumer or business liquidity, bank failures, consumer or commercial confidence or spending levels including as a result of inflation or deflation, unemployment, interest rate fluctuations, changes in discount rates, mortgage foreclosures and subprime credit dislocations;

- a failure of any insurance company that provides insurance or reinsurance to us or of third-party contract partners, including counterparties to our fuel and interest rate swaps;

- changes in our services or products;

- existing and future governmental regulation and the enforcement thereof, including, without limitation, regulation relating to the environment, including the Federal Trade Commission rules on green marketing; restricting or banning of telemarketing; door-to-door solicitation; direct mail or other marketing activities; Terminix s termite inspection and protection plan; chemicals used in our businesses; regulations impacting contractual provisions requiring arbitration or automatic renewals of contracts; or other legislation, regulation or interpretations impacting our business;

- laws and regulations relating to financial reform and the use of derivative instruments and any new regulations or changes in existing regulations promulgated by the U.S. Consumer Financial Protection Bureau;

- the success of, and costs associated with, restructuring initiatives;

Table of Contents

- the number, type, outcomes (by judgment or settlement) and costs of legal, regulatory (for example, relating to the Real Estate Settlement Procedures Act) or administrative proceedings, including, without limitation, collective, representative or class action litigation, and changes in the law regarding arbitration and conduct of collective, representative and class action litigation;

- labor organizing activities at our subsidiaries or our franchisees and new regulations or changes in existing regulations and procedures by the National Labor Relations Board, including those that may affect our associates, such as our arbitration and other policies;

- risk of liabilities being passed through from our franchisees and licensees;

- risks associated with acquisitions or other strategic transactions, including, without limitation, acquired liabilities, retaining customers from businesses acquired, achieving expected synergies from acquired businesses and difficulties in integrating acquired businesses or implementing strategic transactions generally, in addition to risks associated with international acquisition transactions or joint ventures;

- risks associated with dispositions, for example, post-closing claims being made against us, post-closing purchase price adjustments (including, without limitation, items related to working capital), disruption to our other businesses during the disposition process or thereafter; credit risks associated with any buyer of such disposed businesses and our ability to collect funds due from any such buyer related to seller financings, licensing arrangements, transition services arrangements or surety bond guarantees;

- constraints associated with non-compete agreements or other restrictive covenants entered into by the Company, including, without limitation, in connection with business dispositions or strategic contracts, some or all of which may restrict our ability to conduct business in particular market segments or compete in particular geographic regions;

- risks associated with budget deficits at federal, state and local levels resulting from economic conditions, which could result in federal, state and local governments decreasing their purchasing of our products or services and/or increasing taxes or other fees on businesses, including ServiceMaster, to generate more tax revenues, which could negatively impact spending by commercial customers and municipalities on our services;

- regulations imposed by several states related to our home warranty and insurance subsidiaries, including those limiting the amount of funds that can be paid to the Company by its subsidiaries;

- changes in claims trends in our medical plan and our automobile, general liability and workers compensation program;

- significant disruptions, terminations or substandard performance of our outsourced services, including possible breaches by third-party vendors of their agreements with us;

- the cost, timing, structuring or results of our business process outsourcing (and insourcing), including, without limitation, any current or future outsourcing (or insourcing) or restructuring of all or portions of our information technology, call center, certain human resource functions and other corporate functions, and risks associated with such outsourcing (or insourcing) or restructuring or transitioning from outsourcing providers to insourcing;

- costs and timing of implementation of upgrades to our information technology systems, including the completion of American Home Shield s, TruGreen s and Merry Maids new operating systems (certain aspects of which are related to customer relationship management and mobility technology) and the information technology initiatives for our human resources and other corporate functions, which are intended to: enhance customer service; protect against theft of customer and corporate sensitive information; comply with industry standards; and minimize disruptions in the Company s operations and centers of excellence; and

Table of Contents

- other factors described in this prospectus and from time to time in documents that we file with the SEC.

Other risks, uncertainties and factors, including those discussed under Risk Factors, could cause our actual results to differ materially from those projected in any forward-looking statements we make. You should read carefully the factors described in the Risk Factors section of this prospectus to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

We assume no obligation to update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. 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.

Table of Contents

THE EXCHANGE OFFER

Pursuant to the Registration Rights Agreement, we agreed to prepare and file with the SEC a registration statement on an appropriate form under the Securities Act with respect to a proposed offer to the holders of the Old Notes to issue and deliver to such holders of Old Notes, in exchange for their Old Notes, a like aggregate principal amount of New Notes that are identical in all material respects to the Old Notes, except for provisions relating to registration rights and the transfer restrictions relating to the Old Notes, and except for certain related differences described below. See Exchange Offer; Registration Rights.

Terms of the Exchange Offer; Period for Tendering Old Notes

This prospectus and the accompanying letter of transmittal contain the terms and conditions of the exchange offer. Upon the terms and subject to the conditions included in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange Old Notes which are properly tendered on or prior to the Expiration Date, unless you have previously withdrawn them.

When you tender Old Notes as provided below, our acceptance of the Old Notes will constitute a binding agreement between you and us upon the terms and subject to the conditions in this prospectus and in the accompanying letter of transmittal. In tendering Old Notes, you should also note the following important information:

- You may only tender Old Notes in minimum denominations of $2,000 and any integral multiple of $1,000 in excess thereof.

- We will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to holders of the Old Notes. We are sending this prospectus, together with the letter of transmittal, on or about the date of this prospectus, to all of the registered holders of Old Notes at their addresses listed in the Trustee s security register with respect to the Old Notes.

- The exchange offer expires at 5:00 p.m., New York City time, on , 2013; provided, however, that we, in our sole discretion, may extend the period of time for which the exchange offer is open.

- As of the date of this prospectus, $750.0 million aggregate principal amount of Old Notes was outstanding. The exchange offer is not conditioned upon any minimum principal amount of Old Notes being tendered.

- Our obligation to accept Old Notes for exchange in the exchange offer is subject to the conditions described under Conditions to the Exchange Offer.

- We expressly reserve the right, at any time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance of any Old Notes, by giving oral or written notice of an extension to the Exchange Agent and notice of that extension to the holders of Notes as described below. During any extension, all Old Notes previously tendered will remain subject to the exchange offer unless withdrawal rights are exercised as described under Withdrawal Rights. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering holder of Notes promptly after the expiration or termination of the exchange offer.

- We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any Old Notes that we have not yet accepted for exchange, at any time prior to the Expiration Date. If we make a material change to the terms of the exchange offer, including the waiver of a material condition, we will, to the extent required by law, disseminate additional offer materials and extend the period of time for which the exchange offer is open so that at least five business days remain in the exchange offer following notice of a material change.

Table of Contents

- We will give oral or written notice of any extension, amendment, termination or non-acceptance described above to holders of the Old Notes as promptly as practicable. If we extend the Expiration Date, we will give notice by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the business day after the previously scheduled Expiration Date. Without limiting the manner in which we may choose to make any public announcement and subject to applicable law, we will have no obligation to publish, advertise or otherwise communicate any public announcement other than by issuing a release to an appropriate news agency. Such announcement may state that we are extending the exchange offer for a specified period of time.

- Holders of Old Notes do not have any appraisal or dissenters rights in connection with the exchange offer.

- Old Notes which are not tendered for exchange, or are tendered but not accepted, in connection with the exchange offer will remain outstanding and be entitled to the benefits of the Indenture, but will not be entitled to any further registration rights under the Registration Rights Agreement.

- We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC thereunder.

- By executing, or otherwise becoming bound by, the letter of transmittal, you will be making to us the representations described under Resale of the New Notes.

Important rules concerning the exchange offer

You should note the following important rules concerning the exchange offer:

- All questions as to the validity, form, eligibility, time of receipt and acceptance of Old Notes tendered for exchange will be determined by us in our sole discretion, which determination shall be final and binding.

- We reserve the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to not accept any particular Old Notes if such acceptance might, in our judgment or the judgment of our counsel, be unlawful.

- We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular Old Notes either before or after the Expiration Date, including the right to waive the ineligibility of any holder who seeks to tender Old Notes in the exchange offer. Unless we agree to waive any defect or irregularity in connection with the tender of Old Notes for exchange, you must cure any defect or irregularity within any reasonable period of time as we shall determine.

- Our interpretation of the terms and conditions of the exchange offer as to any particular Old Notes either before or after the Expiration Date shall be final and binding on all parties. Neither we, the Exchange Agent nor any other person shall be under any duty to notify you of any defect or irregularity with respect to any tender of Old Notes for exchange, nor shall any of them incur any liability for failing to so notify you.

Procedures for Tendering Old Notes

What to submit and how

If you, as a holder of any Old Notes, wish to tender your Old Notes for exchange in the exchange offer, you must, except as described under Guaranteed Delivery Procedures, transmit the following on or prior to the Expiration Date to the Exchange Agent:

Table of Contents

(1) if Old Notes are tendered in accordance with the book-entry procedures described under Book-Entry Transfer, an Agent s Message, as defined below, transmitted through DTC s ATOP, or (2) a properly completed and duly executed letter of transmittal, or a facsimile copy thereof, to the Exchange Agent at the address set forth below under Exchange Agent, including all other documents required by the letter of transmittal.

In addition,

(1) a timely confirmation of a book-entry transfer of Old Notes into the Exchange Agent s account at DTC using the procedure for book-entry transfer described under Book-Entry Transfer (a Book- Entry Confirmation), along with an Agent s Message, must be actually received by the Exchange Agent prior to the Expiration Date, or

(2) certificates for Old Notes must be actually received by the Exchange Agent along with the letter of transmittal on or prior to the Expiration Date, or

(3) you must comply with the guaranteed delivery procedures described below.

The term Agent s Message means a message, transmitted through ATOP by DTC to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgement that the tendering holder has received and agrees to be bound by the letter of transmittal or, in the case of an Agent s Message relating to guaranteed delivery, that such holder has received and further agrees to be bound by the notice of guaranteed delivery, and that we may enforce the letter of transmittal, and the notice of guaranteed delivery, as the case may be, against such holder.

The method of delivery of Old Notes, letters of transmittal, notices of guaranteed delivery and all other required documentation, including delivery of Old Notes through DTC and transmission of Agent s Messages through DTC s ATOP, is at your election and risk. Delivery will be deemed made only when all required documentation is actually received by the Exchange Agent. Delivery of documents or instructions to DTC does not constitute delivery to the Exchange Agent. If delivery is by mail, we recommend that registered mail, properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to assure timely delivery to the Exchange Agent. Holders tendering Old Notes or transmitting Agent s Messages through DTC s ATOP must allow sufficient time for completion of ATOP procedures during DTC s normal business hours. No Old Notes, Agent s Messages, letters of transmittal, notices of guaranteed delivery or any other required documentation should be sent to us.

How to sign your letter of transmittal and other documents

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes being surrendered for exchange are tendered:

(1) by a registered holder of the Old Notes who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the letter of transmittal, or

(2) for the account of an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, or a commercial bank or trust company having an office or correspondent in the United States that is a member in good standing of a medallion program recognized by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (STAMP), the Stock Exchanges Medallion Program (SEMP) and the New York Stock Exchange Medallion Signature Program (MSP) (each, an Eligible Institution).

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be by an Eligible Institution.

Table of Contents

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, the Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes and with the signatures guaranteed.

If the letter of transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers or corporations or others acting in a fiduciary or representative capacity, the person should so indicate when signing and, unless waived by us, proper evidence satisfactory to us of such person s authority to so act must be submitted.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Once all of the conditions to the exchange offer are satisfied or waived, we will accept all Old Notes properly tendered and not properly withdrawn, and will issue the New Notes promptly after The Expiration Date. See Conditions to the Exchange Offer below. For purposes of the exchange offer, our giving of oral or written notice of acceptance to the Exchange Agent will be considered our acceptance of the tendered Old Notes.

In all cases, we will issue New Notes in exchange for Old Notes that are accepted for exchange only after timely receipt by the Exchange Agent of:

- a Book-Entry Confirmation or Old Notes in proper form for transfer,
- a properly transmitted Agent s Message or a properly completed and duly executed letter of transmittal, and
- all other required documentation.

If we do not accept any tendered Old Notes for any reason included in the terms and conditions of the exchange offer, if you submit certificates representing Old Notes in a greater principal amount than you wish to exchange or if you properly withdraw tendered Old Notes in accordance with the procedures described under Withdrawal Rights, we will return any unaccepted, non-exchanged or properly withdrawn Old Notes, as the case may be, without expense to the tendering holder. In the case of Old Notes tendered by book-entry transfer into the Exchange Agent s account at DTC using the book-entry transfer procedures described below, unaccepted, non-exchanged or properly withdrawn Old Notes will be credited to an account maintained with DTC. We will return the Old Notes or have them credited to the DTC account, as applicable, promptly after the expiration or termination of the exchange offer.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the Old Notes at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution that is a participant in DTC s systems, including Euroclear Bank, S.A./N.V., as operator of the Euroclear System (Euroclear), or Clearstream Banking, société anonyme (Clearstream) may make book-entry delivery of Old Notes by causing DTC to transfer Old Notes into the Exchange Agent s account at DTC in accordance with DTC s ATOP procedures for transfer. However, the exchange for the Old Notes so tendered will only be made after timely confirmation of book-entry transfer of Old Notes into the Exchange Agent s account, and timely receipt by the Exchange Agent of an Agent s Message and all other documents required by the letter of transmittal. Only participants in DTC may deliver Old Notes by book-entry transfer.

Although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent s account at DTC, the letter of transmittal, or a facsimile copy thereof, properly completed and duly executed, with any required signature guarantees, or an Agent s Message, with all other required documentation, must in any case be transmitted to and received by the Exchange Agent at its address listed under Exchange Agent on or prior to the Expiration Date, or you must comply with the guaranteed delivery procedures described below under Guaranteed Delivery Procedures.

Table of Contents

If your Old Notes are held through DTC, you must complete the accompanying form called Instructions to Registered Holder and/or Book-Entry Participant, which will instruct the DTC participant through whom you hold your Old Notes of your intention to tender your Old Notes or not tender your Old Notes. Please note that delivery of documents or instructions to DTC does not constitute delivery to the Exchange Agent and we will not be able to accept your tender of Old Notes until the Exchange Agent actually receives from DTC the information and documentation described under Acceptance of Old Notes for Exchange; Delivery of New Notes.

Guaranteed Delivery Procedures

If you are a registered holder of Old Notes and you want to tender your Old Notes but the procedure for book-entry transfer cannot be completed prior to the Expiration Date, your Old Notes are not immediately available or time will not permit your Old Notes to reach the Exchange Agent before the Expiration Date, a tender may be effected if:

- the tender is made through an Eligible Institution, as defined above,

- prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution, by facsimile transmission, mail or hand delivery, a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us, or an Agent s Message with respect to guaranteed delivery in lieu thereof, in either case stating:

- the name and address of the holder of Old Notes,

- the amount of Old Notes tendered,

- that the tender is being made by delivering such notice and guaranteeing that, within three New York Stock Exchange trading days after the Expiration Date, a Book-Entry Confirmation or the certificates for all physically tendered Old Notes, in proper form for transfer, together with either an appropriate Agent s Message or a properly completed and duly executed letter of transmittal in lieu thereof, and all other required documentation, will be deposited by that Eligible Institution with the Exchange Agent, and

- a Book-Entry Confirmation or the certificates for all physically tendered Old Notes, in proper form for transfer, together with either an appropriate Agent s Message or a properly completed and duly executed letter of transmittal in lieu thereof, and all other required documentation, are received by the Exchange Agent within three New York Stock Exchange trading days after the Expiration Date.

Withdrawal Rights

You can withdraw your tender of Old Notes at any time on or prior to 5:00 p.m., New York City time, on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be actually received by the Exchange Agent prior to such time, properly transmitted either through DTC s ATOP or to the Exchange Agent at the address listed below under Exchange Agent. Any notice of withdrawal must:

- specify the name of the person having tendered the Old Notes to be withdrawn;
- identify the Old Notes to be withdrawn;
- specify the principal amount of the Old Notes to be withdrawn;
- contain a statement that the tendering holder is withdrawing its election to have such Notes exchanged for New Notes;

Table of Contents

- except in the case of a notice of withdrawal transmitted through DTC s ATOP system, be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the Trustee with respect to the Old Notes register the transfer of the Old Notes in the name of the person withdrawing the tender;

- if certificates for Old Notes have been delivered to the Exchange Agent, specify the name in which the Old Notes are registered, if different from that of the withdrawing holder;

- if certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of those certificates, specify the serial numbers of the particular certificates to be withdrawn, and, except in the case of a notice of withdrawal transmitted through DTC s ATOP system, include a notice of withdrawal signed in the same manner as the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees; and

- if Old Notes have been tendered using the procedure for book-entry transfer described above, specify the name and number of the account at DTC from which the Old Notes were tendered and the name and number of the account at DTC to be credited with the withdrawn Old Notes, and otherwise comply with the procedures of DTC.

Please note that all questions as to the validity, form, eligibility and time of receipt of notices of withdrawal will be determined by us, and our determination shall be final and binding on all parties. Any Old Notes so withdrawn will be considered not to have been validly tendered for exchange for purposes of the exchange offer. New Notes will not be issued in exchange for such withdrawn Old Notes unless the Old Notes so withdrawn are validly re-tendered.

If you have properly withdrawn Old Notes and wish to re-tender them, you may do so by following one of the procedures described under Procedures for Tendering Old Notes above at any time on or prior to the Expiration Date.

Conditions to the Exchange Offer

Notwithstanding any other provisions of the exchange offer, we will not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the exchange offer, if we determine in our reasonable judgment at any time before the Expiration Date that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC.

The foregoing conditions are for our sole benefit and may be waived by us regardless of the circumstances giving rise to that condition. Our failure at any time to exercise the foregoing rights shall not be considered a waiver by us of that right. The rights described in the prior paragraph are ongoing rights which we may assert at any time and from time to time.

In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any time any stop order is threatened or in effect with respect to the Registration Statement of which this prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act.

We reserve the right to terminate or amend the exchange offer at any time prior to the Expiration Date upon the occurrence of any of the foregoing events.

Exchange Agent

Wilmington Trust, National Association has been appointed as the Exchange Agent for the exchange offer. All executed letters of transmittal, notices of guaranteed delivery, notices of withdrawal and any other required documentation should be directed to the Exchange Agent at the address set forth below. Requests for additional

Table of Contents

copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the Exchange Agent, addressed as follows:

Deliver To:

By mail, hand or overnight courier:	*By facsimile:*	*For information or confirmation by telephone:*
Wilmington Trust, National Association c/o Wilmington Trust Company Corporate Capital Markets Rodney Square North 1100 North Market Street Wilmington, Delaware 19890-1626	(302) 636-4139	Sam Hamed (302) 636-6181

Delivery to an address other than the address of the Exchange Agent as listed above or transmission of instructions via facsimile other than as listed above does not constitute a valid delivery.

Fees and Expenses

The principal solicitation is being made by mail; however, additional solicitation may be made by telephone or in person by our officers, regular employees and affiliates. We will not pay any additional compensation to any of our officers and employees who engage in soliciting tenders. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. However, we will pay the Exchange Agent reasonable and customary fees (including attorney fees and expenses) for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with the exchange offer.

The estimated cash expenses to be incurred in connection with the exchange offer, including legal, accounting, SEC filing, printing and Exchange Agent expenses, will be paid by us and are estimated in the aggregate to be approximately $500,000.

Transfer Taxes

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith, except that holders who instruct us to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax.

Resale of the New Notes

Under existing interpretations of the staff of the SEC contained in several no-action letters to third parties, the New Notes would in general be freely transferable by holders thereof (other than affiliates of us) after the exchange offer without further registration under the Securities Act (subject to certain representations required to be made by each holder of Old Notes participating in the exchange offer, as set forth below). The relevant no-action letters include the Exxon Capital Holdings Corporation letter, which was made available by the SEC on May 13, 1988, the Morgan Stanley & Co. Incorporated letter, which was made available by the SEC on June 5, 1991, the K-111 Communications Corporation letter, which was made available by the SEC on May 14, 1993, and the Shearman & Sterling letter, which was made available by the SEC on July 2, 1993.

However, any purchaser of Old Notes who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing the New Notes:

- will not be able to rely on such SEC interpretation;

- will not be able to tender its Old Notes in the exchange offer; and

Table of Contents

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of Old Notes unless such sale or transfer is made pursuant to an exemption from those requirements.

By executing, or otherwise becoming bound by, the letter of transmittal, you will represent to us that:

- any New Notes to be received by you will be acquired in the ordinary course of business;
- you have no arrangements or understandings with any person to participate in the distribution of the Old Notes or New Notes within the meaning of the Securities Act; and
- you are not our affiliate within the meaning of Rule 405 under the Securities Act;
- if you are a broker-dealer, you will receive the New Notes for your own account in exchange for the Old Notes acquired as a result of market-making activities or other trading activities and that you will deliver a prospectus in connection with any resale of New Notes (see Plan of Distribution);
- if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the New Notes; and
- you are not acting on behalf of any person that could not truthfully make any of the foregoing representations contained in this paragraph.

We have not sought, and do not intend to seek, a no-action letter from the SEC with respect to the effects of the exchange offer, and there can be no assurance that the SEC staff would make a similar determination with respect to the New Notes as it has made in previous no-action letters.

In addition, in connection with any resales of those Old Notes, each participating broker-dealer receiving New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such exchanging dealer as a result of market-making activities or other trading activities, must represent that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes. We have agreed that for a period of up to 90 days after the exchange offer is consummated, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

The SEC has taken the position in the Shearman & Sterling no-action letter, which it made available on July 2, 1993, that broker-dealers may fulfill their prospectus delivery requirements with respect to the New Notes, other than a resale of an unsold allotment from the original sale of the Old Notes, by delivery of the prospectus contained in the exchange offer registration statement.

Table of Contents

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the Registration Rights Agreements we entered into in connection with the private offering of the Old Notes. We will not receive any cash proceeds from the issuance of the New Notes under the exchange offer. In consideration for issuing the New Notes as contemplated by this prospectus, we will receive Old Notes in like principal amounts, the terms of which are identical in all material respects to the New Notes, subject to limited exceptions. Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase in our indebtedness.

Table of Contents

SELECTED HISTORICAL FINANCIAL DATA

The selected historical financial data as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010 set forth below are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The selected historical financial data as of December 31, 2010, as of and for the year ended December 31, 2009 and as of December 31, 2008 are derived from our audited consolidated financial statements and related notes not included in this prospectus. The historical financial data are qualified in their entirety by, and should be read in conjunction with, our consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

Operating Results:					
Operating revenue	$ 3,193,281	$ 3,205,872	$ 3,127,394	$ 2,977,885	$ 2,995,126
Operating (loss) income(1)	(532,762)	375,460	306,692	243,834	187,562
Percentage of operating revenue	*(16.7)%*	*11.7%*	*9.8%*	*8.2%*	*6.3%*
Non-operating expense(2)	294,615	263,711	278,308	246,896	357,796
(Benefit) provision for income taxes(1)(3)	(114,260)	43,912	10,945	(9,204)	(50,753)
Equity in losses of joint venture	(226)				
(Loss) Income from continuing operations(1)(2)(3)	(713,343)	67,837	17,439	6,142	(119,481)
(Loss) income from discontinued operations, net of income taxes(4)	(200)	(27,016)	(31,998)	7,353	(6,918)
Net (loss) income(1)(2)(3)(4)	$ (713,543)	$ 40,821	$ (14,559)	$ 13,495	$ (126,399)
Financial Position:					
Total assets	$ 6,410,914	$ 7,146,823	$ 7,098,090	$ 7,146,389	$ 7,493,627
Total liabilities	$ 5,856,264	$ 5,898,904	$ 5,910,563	$ 5,960,058	$ 6,361,268
Total long-term debt outstanding	$ 3,961,253	$ 3,875,870	$ 3,948,487	$ 3,974,944	$ 4,266,092
Total shareholder s equity(1)(2)(3)(4)	$ 554,650	$ 1,247,919	$ 1,187,527	$ 1,186,331	$ 1,132,359

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(1) In 2012, the Company recorded pre-tax non-cash impairment charges of $790.2 million and $118.7 million to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name, respectively, as a result of the Company s interim impairment testing of goodwill and indefinite-lived intangible assets. See Note 1 to our consolidated financial statements included elsewhere in this prospectus for further details.

In 2011, 2009 and 2008, the Company recorded pre-tax non-cash impairment charges of $36.7 million, $26.6 million and $58.7 million, respectively, to reduce the carrying value of trade names as a result of the Company s annual impairment testing of goodwill and indefinite-lived intangible assets. These charges are included in the results of continuing operations. There were no similar impairment charges included in continuing operations in 2010. See Note 1 to our consolidated financial statements included elsewhere in this prospectus for further details.

The 2012, 2011 and 2010 results include restructuring charges of $18.2 million, $8.2 million and $11.4 million, respectively, as described in Note 8 to our consolidated financial statements included elsewhere in this prospectus.

The 2009 results include restructuring charges of $26.7 million. These charges included lease termination and severance costs related to a branch optimization project at Terminix; consulting fees, severance, lease termination and other costs related to the reorganization of field leadership and a restructuring of branch operations at TruGreen; transition fees, employee retention and severance costs and consulting and other costs related to the information technology outsourcing initiative; adjustments to lease termination reserves, employee retention and severance costs and consulting and other costs related to prior restructuring initiatives; and severance, retention, legal fees and other costs associated with the Merger.

Table of Contents

The 2008 results include restructuring charges of $12.2 million. These charges included transition fees, employee severance and retention costs, consulting and other costs related to the information technology outsourcing initiative; adjustments to lease termination reserves, employee retention and severance costs, consulting and other costs related to prior restructuring initiatives; and severance, retention, legal fees and other costs associated with the Merger.

(2) The 2012 results include a $55.6 million ($35.4 million, net of tax) loss on extinguishment of debt related to the redemption of the remaining $996 million aggregate principal amount of the Company s 10.75% senior notes maturing in 2015 (the 2015 Notes) and repayment of $276 million of outstanding borrowings under the Term Facilities.

The 2009 results include a $46.1 million ($29.6 million, net of tax) gain on extinguishment of debt related to the completion of open market purchases of $89.0 million in face value of the Company s 2015 Notes.

(3) In 2009, the Company recorded a reduction in income tax expense of $15.2 million related to changes in state tax rates used to measure deferred taxes. In 2008, the Company recorded a reduction in income tax benefit of $8.3 million resulting from the establishment of a valuation allowance related to certain deferred tax assets for which the realization in future years was not more likely than not.

(4) In 2011, in conjunction with the decision to dispose of TruGreen LandCare, a pre-tax non-cash impairment charge of $34.2 million was recorded to reduce the carrying value of TruGreen LandCare s assets to their estimated fair value less cost to sell in accordance with applicable accounting standards. Upon completion of the sale of TruGreen LandCare in 2011, the Company recorded a pre-tax loss on sale of $6.2 million. In 2012, upon finalization of certain post-closing adjustments and disputes, the Company recorded an additional $1.3 million loss. In 2010, 2009 and 2008, the Company recorded pre-tax non-cash impairment charges associated with the goodwill and trade name at its TruGreen LandCare business in the amount of $46.9 million, $1.4 million and $1.4 million, respectively. These charges are classified within the financial statement caption (loss) income from discontinued operations, net of income taxes.

In 2008, the Company recorded pre-tax non-cash impairment charges of $6.3 million related to the long-lived assets (other than goodwill) at its InStar business in connection with the decision to sell the InStar business. These charges are classified within the financial statement caption (loss) income from discontinued operations, net of income taxes.

Table of Contents

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

The following information should be read in conjunction with Selected Historical Financial Data and our consolidated financial statements and related notes included elsewhere in this prospectus. The following discussion may contain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this prospectus, particularly in Risk Factors and Forward-Looking Statements.

Recent Development

Harry J. Mullany III, our former CEO, resigned from the Company effective April 12, 2013. John Krenicki, Jr., the Chairman of the board of directors of Holdings, will serve as Interim CEO until a new CEO is named.

Effective March 29, 2013, Charles M. Fallon, the former President of Terminix, resigned from the Company. Terminix s Vice President of Operations, Larry Pruitt, will serve as interim President of Terminix until a new President of Terminix is named.

Results of Operations

We reported operating revenue of $3.193 billion for the year ended December 31, 2012, $3.206 billion for the year ended December 31, 2011 and $3.127 billion for the year ended December 31, 2010. The operating revenue changes from year to year were driven by the results of our business units as described in Segment Review.

Operating loss was $532.8 million for the year ended December 31, 2012. Operating income was $375.5 million for the year ended December 31, 2011 and $306.7 million for the year ended December 31, 2010. Loss from continuing operations before income taxes was $827.4 million for the year ended December 31, 2012. Income from continuing operations before income taxes was $111.7 million for the year ended December 31, 2011 and $28.4 million for the year ended December 31, 2010. The decrease in income from continuing operations before income taxes for 2012 compared to 2011 of $939.1 million and increase in income from continuing operations before income taxes for 2011 compared to 2010 of $83.4 million primarily reflect the net effect of year over year changes in the following items:

(In thousands)	2012 Compared to 2011	2011 Compared to 2010
Non-cash goodwill and trade name impairment(1)	$ (872,173)	$ (36,700)
Loss on extinguishment of debt(2)	(54,780)	(774)
Segment results(3)	(47,747)	59,423
Restructuring charges(4)	(10,015)	3,286

Interest expense(5)		26,839		13,810
Depreciation and amortization expense(6)		17,194		33,189
Residual value guarantee charges(7)				10,449
Other		1,556		682
	$	(939,126)	$	83,365

(1) Represents, as a result of the Company s impairment testing of indefinite-lived intangible assets, pre-tax non-cash impairment charges of $908.9 million recorded in the year ended December 31, 2012 to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name and $36.7 million recorded in the year ended December 31, 2011 to reduce the carrying value of the TruGreen trade name. There were no similar impairment charges included in continuing operations in 2010.

(2) Represents the loss on extinguishment of debt recorded in the year ended December 31, 2012 related to the redemption of the remaining $996 million aggregate principal amount of the Company s 2015 Notes and repayment of $276 million of outstanding borrowings under the Term Facilities and the loss on extinguishment of debt recorded in the year ended December 31, 2011 related to the purchase of $65.0 million in face value of the 2015 Notes from Holdings. There were no debt extinguishments by the Company in the year ended December 31, 2010.

(3) Represents the year over year change in (loss) income from continuing operations before income taxes, as adjusted for the specific items included in the table above. Includes key executive transition charges of $4.8 million, $6.6 million and $5.5 million recorded in the years ended December 31, 2012, 2011 and 2010, respectively, as described in Segment Review. For the year ended December 31, 2012, also includes a $3.3 million impairment of licensed intellectual property and a $1.2 million impairment of abandoned real

Table of Contents

estate at Terminix, a $5.4 million increase in tax related reserves at American Home Shield and technology costs of $4.2 million, which related to the abandonment of certain internally developed software, at Merry Maids.

(4) For 2012 compared to 2011, represents the net increase in restructuring charges related primarily to the impact of a branch optimization project at Terminix, a reorganization of field leadership and a restructuring of branch operations at TruGreen, a reorganization of leadership at American Home Shield and ServiceMaster Clean, and an initiative to enhance capabilities and reduce costs in our centers of excellence at Other Operations and Headquarters. See Note 8 to our consolidated financial statements included elsewhere in this prospectus for further details.

For 2011 compared to 2010, represents the net decrease in restructuring charges related to a branch optimization project at Terminix, a reorganization of field leadership and a restructuring of branch operations at TruGreen, an initiative to enhance capabilities and reduce costs in our centers of excellence at Other Operations and Headquarters, Merger related charges and other restructuring costs. See Note 8 to our consolidated financial statements included elsewhere in this prospectus for further details.

(5) For 2012 compared to 2011, represents a decrease in interest expense as a result of decreases in our weighted average interest rate and average long-term debt balance and, for 2011 compared to 2010, represents a decrease in interest expense as a result of decreases in our weighted-average interest rate.

(6) Consists primarily of decreased amortization of intangible assets as a result of certain finite lived intangible assets recorded in connection with the Merger being fully amortized, offset, in part, by increased depreciation of property and equipment as a result of property additions.

(7) Represents non-cash residual value guarantee charges of $10.4 million recorded in the year ended December 31, 2010, related to a synthetic lease for operating properties, which expired in July 2010. There were no similar charges in the years ended December 31, 2012 and 2011.

The Company has historically hedged a significant portion of its annual fuel consumption of approximately 20 million gallons. Fuel costs, after the impacts of the hedges and after adjusting for the impact of year over year changes in the number of gallons used, increased $8.9 million for 2012 compared to 2011 and $11.6 million for 2011 compared to 2010. Based upon current Department of Energy fuel price forecasts, as well as the hedges the Company has executed to date for 2013, the Company projects that fuel prices will not significantly increase our fuel costs for 2013 compared to 2012.

After adjusting for the impact of year over year changes in the number of covered employees, health care and related costs increased $6.6 million for 2012 compared to 2011 and $2.5 million for 2011 compared to 2010. We expect to incur incremental aggregate health care costs in 2013 as compared to 2012 as a result of continued inflation in the cost of health care services and due to certain provisions of the Patient Protection and Affordable Care Act.

The Company has entered into multiple interest rate swap agreements as further discussed in Note 12 to our consolidated financial statements included elsewhere in this prospectus. Changes in interest rates, including the impact of the interest rate swap agreements, improved the Company s non-operating expenses by approximately $5.1 million for 2012 compared to 2011 and $13.7 million for 2011 compared to 2010 by virtue of the effect on floating rate debt, offset, in part, by the negative effect on investment income.

Operating and Non-Operating Expenses

Cost of Services Rendered and Products Sold

The Company reported cost of services rendered and products sold of $1.862 billion for the year ended December 31, 2012 compared to $1.814 billion for the year ended December 31, 2011. As a percentage of revenue, these costs increased to 58.3 percent for the year ended December 31, 2012 from 56.6 percent in 2011. This percentage increase primarily reflects higher fuel and fertilizer prices, a reduction in labor productivity and an increase in fertilizer usage rates at TruGreen, a $3.3 million impairment of licensed intellectual property, a $1.2 impairment of abandoned real estate and an increase in product distribution revenue at Terminix, which has lower

Table of Contents

margins than termite or pest revenue, a $4.2 million impairment of certain internally developed software at Merry Maids and an increase in expenses in our automobile, general liability and workers compensation insurance programs due primarily to the reversal, in 2011, of claims reserves driven by favorable claims experience. The items were offset, in part, by improved labor efficiencies and the favorable impact of acquiring assets in connection with exiting certain fleet leases at Terminix, a reduction in ice melt sales at TruGreen, which has lower margins than core lawn services, a reduction in home warranty claims costs at American Home Shield and other cost reductions realized through ongoing initiatives.

The Company reported cost of services rendered and products sold of $1.814 billion for the year ended December 31, 2011 compared to $1.777 billion for the year ended December 31, 2010. As a percentage of revenue, these costs decreased to 56.6 percent for the year ended December 31, 2011 from 56.8 percent in 2010. Residual value guarantee charges of $9.2 million related to synthetic leases were recorded in 2010 at TruGreen for which there was no similar charge in 2011. The remaining percentage increase primarily reflects an increase in fuel and fertilizer prices and an increase in home warranty claims costs at American Home Shield, offset, in part, by the favorable impact of acquiring assets in connection with exiting certain fleet leases, a reduction in termite damage claims expense at Terminix and other cost reductions realized through ongoing initiatives.

Selling and Administrative Expenses

The Company reported selling and administrative expenses of $872.0 million for the year ended December 31, 2012 compared to $880.5 million for the year ended December 31, 2011. As a percentage of revenue, these costs decreased to 27.3 percent for the year ended December 31, 2012 from 27.5 percent in 2011. This percentage decrease primarily reflects a reduction in sales and marketing expense and a $1.9 million reduction in key executive transition charges, offset, in part, by increased investments in ongoing productivity and standardization initiatives and an increase in technology costs related to a new operating system at TruGreen, which is in the process of being deployed, a $5.4 million increase in tax related reserves, an increase in provisions for certain legal matters and increased investments to drive improvements in service delivery at American Home Shield, and an increase in technology costs related to PCI standards compliance purposes at Other Operations and Headquarters.

The Company reported selling and administrative expenses of $880.5 million for the year ended December 31, 2011 compared to $896.0 million for the year ended December 31, 2010. As a percentage of revenue, these costs decreased to 27.5 percent for the year ended December 31, 2011 from 28.6 percent in 2010. This percentage decrease primarily reflects a reduction in sales and marketing expense, a reduction in spending in the Company s centers of excellence, a reduction in provisions for certain legal matters and other cost reductions realized through ongoing initiatives, offset, in part, by an increase in technology costs related to a new operating system at American Home Shield, an increase in technology costs related to PCI standards compliance purposes at Other Operations and Headquarters and a $1.1 million increase in key executive transition charges.

Amortization Expense

Amortization expense was $65.3 million, $91.4 million and $136.0 million for the years ended December 31, 2012, 2011 and 2010, respectively. The decrease for 2012 compared to 2011 and 2011 compared to 2010 is a result of certain finite lived intangible assets recorded in connection with the Merger being fully amortized.

Goodwill and Trade Name Impairments

The Company recorded a non-cash goodwill impairment charge of $790.2 million for the year ended December 31, 2012 to reduce the carrying value of TruGreen s goodwill to its estimated fair value as of December 31, 2012. The Company also recorded a non-cash trade name impairment charge of $118.7 million for the year ended December 31, 2012 and $36.7 million for the year ended December 31, 2011 to reduce the carrying value of the TruGreen trade name to its fair value as a result of the Company s impairment testing in each year. There were no similar goodwill or trade name impairment charges included in continuing operations for the year ended December 31, 2010.

Table of Contents

Goodwill Impairment

Based on the revenue and operating results of TruGreen in 2012 and the outlook for future years, the Company concluded there was an impairment indicator requiring a goodwill impairment assessment for TruGreen as of September 30, 2012. The Company estimated that the implied fair value of goodwill as of such date was less than the carrying value for TruGreen by $790.2 million, which was recorded as a goodwill impairment charge in 2012. As of December 31, 2012, there was a $417.1 million balance of goodwill remaining at TruGreen.

The goodwill impairment charge recorded in 2012 was primarily attributable to a decline in forecasted 2012 cash flows and a decrease in projected future growth in cash flows at TruGreen over a defined projection period as of September 30, 2012 compared to the projections used in the previous annual impairment assessment performed on October 1, 2011. The changes in projected cash flows at TruGreen were in part a consequence of the shift in strategy for TruGreen described in Segment Review TruGreen Segment below. Although the Company projected future growth in cash flows at TruGreen as a part of its September 30, 2012 impairment analysis, total cash flows and projected growth in those cash flows were lower than that projected at the time TruGreen was tested for impairment in 2011. The long-term growth rates used in the impairment tests at September 30, 2012 and October 1, 2011 were the same and in line with historical U.S. gross domestic product growth rates. The discount rate used in the September 30, 2012 impairment test was 50 bps lower than the discount rate used in the October 1, 2011 impairment test for TruGreen. The decrease in the discount rate is primarily attributable to changes in market conditions which indicated an improved outlook for the U.S. financial markets since the 2011 analysis.

Trade Name Impairment

Based on the revenue results at TruGreen in the first six months of 2012 and a then lower revenue outlook for the remainder of 2012 and future years, the Company concluded that there was an impairment indicator requiring the performance of an interim indefinite-lived intangible asset impairment test for the TruGreen trade name as of June 30, 2012. That impairment analysis resulted in a $67.7 million impairment charge recorded in the second quarter of 2012. Based on the revenue results of TruGreen in the third quarter of 2012 and the revised outlook for the remainder of the year and future years, the Company performed another impairment analysis on its TruGreen trade name to determine its fair value as of September 30, 2012. Based on the revised projected revenue for TruGreen as compared to the projections used in the second quarter 2012 impairment test, the Company determined the fair value attributable to the TruGreen trade name was less than its carrying value by $51.0 million, which was recorded as a trade name impairment in the third quarter of 2012. Total non-cash trade name impairments recorded in 2012 related to the TruGreen trade name were $118.7 million.

The impairment charge recorded in the second quarter of 2012 was primarily attributable to a decrease in projected future growth in revenue at TruGreen over a defined projection period as of June 30, 2012 compared to the projections used in the previous annual impairment assessment performed on October 1, 2011. The third quarter impairment charge was primarily attributable to a further reduction in projected revenue growth as compared to expectations in the second quarter of 2012. The changes in projected future revenue growth at TruGreen were in part a consequence of the shift in strategy for TruGreen described in Segment Review TruGreen Segment below. Although the Company projected future growth in revenue at TruGreen over a defined projection period as a part of its September 30, 2012 impairment analysis, such growth was lower than the revenue growth projected at the time the trade name was tested for impairment in the second quarter of 2012. The long-term revenue growth rates used for periods after the defined projection period in the impairment tests at September 30, 2012, June 30, 2012 and October 1, 2011 were the same and in line with historical U.S. gross domestic product growth rates. The discount rates used in the September 30, 2012 and June 30, 2012 impairment tests were the same, but were 50 bps lower than the discount rate used in the October 1, 2011 impairment test for the TruGreen trade name. The decrease in the discount rate from 2011 is primarily attributable to changes in market conditions which indicated an improved outlook for the U.S. financial markets since the last analysis.

The impairment charge in 2011 was primarily attributable to the use of higher discount rates in the discounted cash flow (DCF) valuation analyses as compared to the discount rates used in the 2010 impairment analyses. Although the projected future growth in cash flows in 2011 were slightly higher than in the 2010 valuation, the increase in the discount rates more than offset the improved cash flows. The increase in the discount

Table of Contents

rates is primarily attributable to changes in market conditions which indicated a lower risk tolerance in 2011 as compared to 2010. This lower risk tolerance is exhibited through the marketplace s desire for higher returns in order to accept market risk.

See Critical Accounting Policies and Estimates below and Note 1 to our consolidated financial statements included elsewhere in this prospectus for further discussion of the Company s goodwill and indefinite-lived intangible asset impairment testing.

Restructuring Charges

The Company incurred restructuring charges of $18.2 million, $8.2 million and $11.4 million for the years ended December 31, 2012, 2011 and 2010, respectively. Restructuring charges were comprised of the following:

	Year Ended December 31,		
(In thousands)	**2012**	**2011**	**2010**
Terminix branch optimization(1)	$ 3,652	$ 3,560	$ 2,352
TruGreen reorganization and restructuring(2)	3,241	1,115	6,922
American Home Shield reorganization(3)	647		
ServiceMaster Clean reorganization(3)	1,370		
Centers of excellence initiative(4)	9,267	3,416	
Other(5)		71	2,174
Total restructuring charges	$ 18,177	$ 8,162	$ 11,448

(1) For the years ended December 31, 2012 and 2011, these charges included severance costs of $0.4 million and $0.1 million, respectively. For the years ended December 31, 2012, 2011 and 2010, these charges included lease termination costs of $3.3 million, $3.5 million and $2.4 million, respectively.

(2) For the years ended December 31, 2012, 2011 and 2010, these charges included severance costs of $2.7 million, $0.8 million and $1.8 million, respectively, and lease termination costs of $0.5 million, $0.3 million and $0.2 million, respectively. For the year ended December 31, 2010, these charges also included consulting fees and other costs of $4.7 million and $0.2 million, respectively.

(3) For the year ended December 31, 2012, these charges included severance costs.

(4) Represents restructuring charges related to an initiative to enhance capabilities and reduce costs in the Company s headquarters functions that provide company-wide administrative services for our operations that we refer to as centers of excellence. For the years ended December 31, 2012 and 2011, these charges included severance and other costs of $4.6 million and $1.9 million, respectively. For the years ended December 31, 2012 and 2011, these charges included consulting fees of $4.7 million and $1.5 million, respectively.

(5) For the year ended December 31, 2011, these charges included reserve adjustments associated with previous restructuring initiatives. For the year ended December 31, 2010, these charges included reserve adjustments, severance and retention associated with previous restructuring initiatives of $1.0 million and severance, retention, legal fees and other costs associated with the Merger of $1.2 million.

Non-Operating Expense

Non-operating expense totaled $294.6 million, $263.7 million and $278.3 million for the years ended December 31, 2012, 2011 and 2010, respectively. The increase in 2012 compared to 2011 is primarily due to a $55.6 million loss on extinguishment of debt recorded in 2012 related to the redemption of $996 million aggregate principal amount of the 2015 Notes and repayment of $276 million of outstanding borrowings under the Term Facilities, offset, in part, by a $26.8 million decrease in interest expense as a result of a decrease in our weighted-average interest rate and average long-term debt balance. The decrease in 2011 compared to 2010 is primarily due to a $13.8 million decrease in interest expense as a result of a decrease in our weighted-average interest rate. Interest and net investment income was comprised of the following for the years ended December 31, 2012, 2011 and 2010:

Table of Contents

(In thousands)	Year Ended December 31, 2012	2011	2010
Realized gains(1)	$ 6,191	$ 9,972	$ 6,418
Impairments of securities(2)		(195)	(174)
Deferred compensation trust(3)	1,417	(49)	1,200
Other(4)	237	1,158	1,914
Interest and net investment income	$ 7,845	$ 10,886	$ 9,358

(1) Represents the net investment gains 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 a corresponding and offsetting change in compensation expense within income from continuing operations before income taxes).

(4) Includes interest income on other cash balances and, in 2012, a $2.5 million charge for the impairment of a loan related to a prior business disposition.

Income Taxes

The effective tax rate on (loss) income from continuing operations was a benefit of 13.8 percent for the year ended December 31, 2012, a provision of 39.3 percent for the year ended December 31, 2011 and a provision of 38.6 percent for the year ended December 31, 2010. The effective tax rate for the year ended December 31, 2012 was impacted by the impairment of nondeductible goodwill at TruGreen in the amount of $529.4 million.

Net Income

Net loss for the year ended December 31, 2012 was $713.5 million compared to net income of $40.8 million for the year ended December 31, 2011 and a net loss of $14.6 million for the year ended December 31, 2010. The $754.4 million decrease for 2012 compared to 2011 was primarily driven by a $939.1 million reduction in (loss) income from continuing operations before income taxes, offset, in part, by a $158.2 million reduction in (benefit) provision for income taxes and a $26.8 million improvement in loss from discontinued operations, net of income taxes. The $55.4 million increase for 2011 compared to 2010 was primarily driven by an $83.4 million improvement in (loss) income from continuing operations before income taxes and a $5.0 million improvement in loss from discontinued operations, net of income taxes, offset, in part, by a $33.0 million increase in (benefit) provision for income taxes.

Key Performance Indicators

The table below presents selected operating metrics related to customer counts and customer retention for our three largest revenue generating businesses. These measures are presented on a rolling, twelve-month basis in order to avoid seasonal anomalies. The impact of changes in our key performance indicators on the operating results of our business units is described in Segment Review.

	Key Performance Indicators as of December 31,		
	2012	2011	2010
Terminix			
Growth in Pest Control Customers	0.8%	6.4%	3.6%
Pest Control Customer Retention Rate	79.3%	80.6%	79.9%
(Reduction) Growth in Termite Customers	(1.4)%	(1.0)%	0.3%
Termite Customer Retention Rate	85.6%	86.1%	86.0%

Table of Contents

	Key Performance Indicators as of December 31,		
	2012	2011	2010
TruGreen			
Reduction in Full Program Accounts	(11.3)%	(5.3)%	(1.7)%
Customer Retention Rate	68.6%	66.7%	66.0%
American Home Shield			
Growth in Home Warranties		1.6%	0.1%
Customer Retention Rate	73.7%	75.1%	73.0%

Segment Review

The following business segment reviews should be read in conjunction with the required footnote disclosures presented in the Notes to our consolidated financial statements included elsewhere in this prospectus.

The Company uses Adjusted EBITDA and Operating Performance to facilitate operating performance comparisons from period to period. Adjusted EBITDA and Operating Performance are supplemental measures of the Company s performance that are not required by, or presented in accordance with GAAP. Adjusted EBITDA and 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 (loss) before: income (loss) from discontinued operations; provision (benefit) for income taxes; other expense; gain (loss) on extinguishment of debt; interest expense; interest and net investment income; and depreciation and amortization expense; as well as adding back interest and net investment income; residual value guarantee charge and non-cash goodwill and trade name impairment. Operating Performance is calculated by adding back to Adjusted EBITDA an amount equal to the non-cash stock based compensation expense; non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger; restructuring charges and management and consulting fees.

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. In addition, the Company excludes residual value guarantee charges that do not result in additional cash payments to exit the facility at the end of the lease term. The Company uses Operating Performance as a supplemental measure to assess the Company s performance because it excludes non-cash stock-based compensation expense, non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger, restructuring charges and management and consulting fees. The Company presents Operating Performance because it believes that it is useful for investors, analysts and other interested parties in their analysis of the Company s operating results.

Charges relating to stock-based compensation expense and the impact of purchase accounting are non-cash and the exclusion of the impact of these items from Operating Performance allows investors to understand the current period results of operations of the business on a comparable basis with previous periods and, secondarily, gives the investors added insight into cash earnings available to service the Company s debt. We believe this to be of particular importance to the Company s public investors, which are debt holders. The Company also believes that the exclusion of purchase accounting, non-cash stock-based compensation expense, restructuring charges and management and consulting fees may provide an additional means for comparing the Company s performance to the performance of other companies by eliminating the impact of differently structured equity-based, long-term incentive plans, restructuring initiatives and consulting agreements (although care must be taken in making any such comparison, as there may be inconsistencies among companies in the manner of computing similarly titled financial measures).

Table of Contents

Adjusted EBITDA and 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 Operating Performance do not reflect changes in, or cash requirements for, the Company s working capital needs;
- Adjusted EBITDA and 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 Operating Performance do not reflect the Company s tax expense or the cash requirements to pay the Company s taxes;
- Adjusted EBITDA and Operating Performance do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments, nor should they be relied upon to assess current or future liquidity;
- 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 Operating Performance do not reflect any cash requirements for such replacements;
- Other companies in the Company s industries may calculate Adjusted EBITDA and Operating Performance differently, limiting their usefulness as comparative measures;
- Operating Performance does not include purchase accounting and non-cash stock-based compensation expense; the latter of which may cause the overall compensation cost of the business to be understated; and
- Operating Performance does not include restructuring charges and management and consulting fees, the exclusion of which may cause the operating expenses of the business to be understated.

Operating Revenues and Operating Performance by operating segment are as follows:

Year Ended December 31,

(In thousands)	2012	2011	2010
Operating Revenue:			
Terminix	$ 1,265,417	$ 1,193,075	$ 1,157,346
TruGreen	979,081	1,100,741	1,096,667
American Home Shield	720,860	686,737	656,572
ServiceMaster Clean	139,441	138,691	132,132
Other Operations and Headquarters	88,482	86,628	84,677
Total Operating Revenue	$ 3,193,281	$ 3,205,872	$ 3,127,394
Operating Performance:			
Terminix	$ 315,517	$ 299,485	$ 270,829
TruGreen	152,813	209,031	194,472
American Home Shield	141,542	131,977	116,609
ServiceMaster Clean	61,041	64,018	63,762
Other Operations and Headquarters	(108,185)	(94,036)	(94,620)
Total Operating Performance	$ 562,728	$ 610,475	$ 551,052
Memo: Items excluded from Operating Performance			
Operating Performance of discontinued operations	$ (1,138)	$ (3,267)	$ 8,640

Table of Contents

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

(in thousands)	Terminix	TruGreen	American Home Shield	ServiceMaster Clean	Other Operations and Headquarters	Total
Year Ended December 31, 2012						
Operating income (loss)(1)	$ 236,160	$ (805,022)	$ 126,098	$ 54,435	$ (144,433)	$ (532,762)
Depreciation and amortization expense	75,713	45,729	8,606	5,071	11,123	146,242
EBITDA	311,873	(759,293)	134,704	59,506	(133,310)	(386,520)
Interest and net investment income(2)			6,191	165	1,489	7,845
Non-cash goodwill and trade name impairment(3)		908,873				908,873
Adjusted EBITDA	311,873	149,580	140,895	59,671	(131,821)	530,198
Non-cash stock-based compensation expense					7,119	7,119
Non-cash credits attributable to purchase accounting(4)	(8)	(8)				(16)
Restructuring charges(5)	3,652	3,241	647	1,370	9,267	18,177
Management and consulting fees(6)					7,250	7,250
Operating Performance	$ 315,517	$ 152,813	$ 141,542	$ 61,041	$ (108,185)	$ 562,728
Memo: Items excluded from Operating Performance:						
Operating Performance of discontinued operations(7)	$	$	$	$	$ (1,138)	$ (1,138)

(in thousands)	Terminix	TruGreen	American Home Shield	ServiceMaster Clean	Other Operations and Headquarters	Total
Year Ended December 31, 2011						
Operating income (loss)(1)	$ 220,622	$ 129,324	$ 94,869	$ 57,674	$ (127,029)	$ 375,460
Depreciation and amortization expense	75,347	41,929	27,331	6,150	12,679	163,436
EBITDA	295,969	171,253	122,200	63,824	(114,350)	538,896
Interest and net investment income(2)			9,777	158	951	10,886
Non-cash trade name impairment(3)		36,700				36,700
Adjusted EBITDA	295,969	207,953	131,977	63,982	(113,399)	586,482
Non-cash stock-based compensation expense					8,412	8,412
Non-cash credits attributable to purchase accounting(4)	(44)	(37)				(81)
Restructuring charges(5)	3,560	1,115		36	3,451	8,162
Management and consulting fees(6)					7,500	7,500

Operating Performance	$ 299,485	$ 209,031	$ 131,977	$ 64,018	$ (94,036)	$ 610,475
Memo: Items excluded from Operating Performance:						
Operating Performance of discontinued operations(7)	$	$	$	$	$ (3,267)	$ (3,267)

(in thousands)	Terminix	TruGreen	American Home Shield	ServiceMaster Clean	Other Operations and Headquarters	Total
Year Ended December 31, 2010						
Operating income (loss)(1)	$ 199,750	$ 112,312	$ 68,380	$ 55,450	$ (129,200)	$ 306,692
Depreciation and amortization expense	67,761	66,069	42,259	7,106	13,430	196,625
EBITDA	267,511	178,381	110,639	62,556	(115,770)	503,317
Interest and net investment income(2)			6,243	153	2,962	9,358
Residual value guarantee charge(8)		9,222		982	245	10,449
Adjusted EBITDA	267,511	187,603	116,882	63,691	(112,563)	523,124
Non-cash stock-based compensation expense					9,352	9,352
Non-cash credits attributable to purchase accounting(4)	(173)	(53)	(146)			(372)
Restructuring charges (credits)(5)	3,491	6,922	(127)	71	1,091	11,448
Management and consulting fees(6)					7,500	7,500
Operating Performance	$ 270,829	$ 194,472	$ 116,609	$ 63,762	$ (94,620)	$ 551,052
Memo: Items excluded from Operating Performance:						
Operating Performance of discontinued operations(7)	$	$	$	$	$ 8,640	$ 8,640

Table of Contents

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

(In thousands)	Year Ended December 31, 2012	2011	2010
Total Segment Operating (Loss) Income	$ (532,762)	$ 375,460	$ 306,692
Non-operating Expense (Income):			
Interest expense	246,284	273,123	286,933
Interest and net investment income	(7,845)	(10,886)	(9,358)
Loss on extinguishment of debt	55,554	774	
Other expense	622	700	733
(Loss) Income from Continuing Operations before Income Taxes	(827,377)	111,749	28,384
(Benefit) provision for income taxes	(114,260)	43,912	10,945
Equity in losses of joint venture	(226)		
(Loss) Income from Continuing Operations	(713,343)	67,837	17,439
Loss from discontinued operations, net of income taxes	(200)	(27,016)	(31,998)
Net (Loss) Income	$ (713,543)	$ 40,821	$ (14,559)

(2) Interest and net investment income is primarily comprised of investment income and realized gain (loss) on our American Home Shield segment investment portfolio. Cash, short-term and long-term marketable securities associated with regulatory requirements in connection with American Home Shield and for other purposes totaled $243.7 million as of December 31, 2012. American Home Shield interest and net investment income was $6.2 million, $9.8 million and $6.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. The balance of interest and net investment income primarily relates to (i) investment income (loss) from our employee deferred compensation trust (for which there is a corresponding and offsetting change in compensation expense within (loss) income from continuing operations before income taxes) and (ii) interest income on other cash balances.

(3) Represents, as a result of the Company s impairment testing of indefinite-lived intangible assets, pre-tax non-cash impairment charges of $908.9 million recorded in the year ended December 31, 2012 to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name and $36.7 million recorded in the year ended December 31, 2011 to reduce the carrying value of the TruGreen trade name. There were no similar impairment charges included in continuing operations in 2010.

(4) 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.

(5) Represents restructuring charges primarily related to a branch optimization project at Terminix, a reorganization of field leadership and a restructuring of branch operations at TruGreen, a reorganization of leadership at American Home Shield and ServiceMaster Clean, an initiative to enhance capabilities and reduce costs in our centers of excellence at Other Operations and Headquarters, Merger related charges and other restructuring costs.

(6) Represents management and consulting fees payable to certain related parties. See Note 10 to our consolidated financial statements included elsewhere in this prospectus for further information on management and consulting fees.

(7) The table included in Discontinued Operations below presents reconciliations of operating loss, the most directly comparable financial measure under GAAP, to Adjusted EBITDA and Operating Performance for the periods presented.

(8) Represents non-cash residual value guarantee charges recorded in 2010 related to a synthetic lease for operating properties, which expired in July 2010. There were no similar charges in 2011.

Terminix Segment

Year ended December 31, 2012

The Terminix segment, which provides termite and pest control services to residential and commercial customers and distributes pest control products, reported a 6.1 percent increase in operating revenue, a 7.0 percent increase in operating income and a 5.4 percent increase in Operating Performance for the year ended December 31,

Table of Contents

2012 compared to 2011. Pest control revenue, which was 55.5 percent of the segment s operating revenue in 2012, increased 7.1 percent compared to 2011, reflecting a 4.2 percent increase in average customer counts, a $12.2 million increase in other pest revenue, primarily bed bug services, and improved price realization. Absolute pest control customer counts as of December 31, 2012 compared to 2011 increased 0.8 percent, driven by new unit sales and acquisitions, offset, in part, by a 130 basis points (bps) decrease in the customer retention rate. Termite revenue, which was 39.5 percent of the segment s operating revenue in 2012, increased 3.5 percent compared to 2011. Termite renewal revenue comprised 55.2 percent of total termite revenue, while the remainder consisted of termite new unit sales. The increase in termite revenue reflected improved price realization and a 0.6 percent increase in new unit sales, offset, in part, by a 1.1 percent decrease in average renewal customer counts. Absolute termite renewal customer counts as of December 31, 2012 compared to 2011 declined 1.4 percent driven by a 50 bps decrease in the customer retention rate, offset, in part, by new unit sales and acquisitions. Product distribution revenue, which has lower margins than pest or termite revenue and accounted for approximately five percent of the segment s operating revenue in 2012, increased $10.1 million compared to 2011.

Terminix s Operating Performance increased $16.0 million for the year ended December 31, 2012 compared to 2011. A $3.3 million impairment of licensed intellectual property and a $1.2 million impairment of abandoned real estate were recorded in 2012. The remaining $20.5 million increase primarily reflects the impact of higher operating revenue, a reduction in sales and marketing expense, as a percent of revenue, cost efficiencies realized through ongoing initiatives, including the benefits of sales mobility and routing and scheduling tools, the favorable impact of acquiring assets in connection with exiting certain fleet leases, and improved production labor efficiencies, offset, in part, by higher fuel prices and product distribution revenue, which has lower margins than pest or termite revenue.

Year ended December 31, 2011

The Terminix segment reported a 3.1 percent increase in operating revenue, a 10.4 percent increase in operating income and a 10.6 percent increase in Operating Performance for the year ended December 31, 2011 compared to 2010. Pest control revenue, which was 55.0 percent of the segment s operating revenue in 2011, increased 5.3 percent compared to 2010, reflecting a 4.3 percent increase in average customer counts, a $6.0 million increase in other pest revenue, primarily bed bug services, and improved price realization. Absolute pest control customer counts as of December 31, 2011 compared to 2010 increased 6.4 percent, driven by an increase in new unit sales and acquisitions and a 70 bps increase in the customer retention rate. Termite revenue, which was 40.4 percent of the segment s operating revenue in 2011, increased 0.5 percent compared to 2010. Termite renewal revenue comprised 55.3 percent of total termite revenue, while the remainder consisted of termite new unit sales. The increase in termite revenue reflected improved price realization, offset, in part, by a 2.6 percent decrease in new unit sales and a 0.4 percent decline in average renewal customer counts. Absolute termite renewal customer counts as of December 31, 2011 compared to 2010 declined 1.0 percent driven by a decrease in new units, offset, in part, by a 10 bps increase in the customer retention rate.

Terminix s Operating Performance increased $28.7 million for the year ended December 31, 2011 compared to 2010, which primarily reflects the impact of higher operating revenue, cost efficiencies realized through ongoing initiatives, a reduction in incentive compensation expense, termite damage claims expense and legal related expense, and the favorable impact of acquiring assets in connection with exiting certain fleet leases, offset, in part, by higher sales and marketing expense and fuel prices.

TruGreen Segment

TruGreen, which provides residential and commercial lawn, tree and shrub care services, has embarked on a strategy to redesign its product offerings based on the latest agronomic science, transform the customer experience through the initiatives described below, and rebalance its sales and marketing mix toward channels with higher retention and profitability.

In 2011, the Company made the decision to rebalance TruGreen s sales and marketing mix toward channels with higher retention and profitability. Specifically, in 2011, TruGreen reduced its spending in the neighborhood sales channel and increased marketing spending in other sales channels which it believes will yield more attractive returns in the long-term, such as digital marketing. TruGreen also introduced its new Healthy Lawn Plan in early

Table of Contents

2012, which provides a customized, full-year treatment plan that better matches the growing conditions in each part of the country. At the same time, TruGreen decided to de-emphasize selling less than full programs, which it believes do not foster long-term customer relationships or deliver predictable, consistent outcomes for its customers.

TruGreen continues to rebalance it sales and marketing mix across all of its sales and marketing channels, including returning to higher spending in the neighborhood marketing channel. TruGreen will also introduce new product offerings and transform its customers experience through a combination of new technology, including investments in a new operating system and telecommunications infrastructure, improved processes and stricter branch standards, improved pre- and post-service communication and more consistent adherence to resource planning models in its branches. The Company believes the changes it is making at TruGreen will position the business for future long-term growth in operating revenue and Operating Performance by transforming TruGreen s relationships with its customers and improving the efficiency of its operations.

Year ended December 31, 2012

The TruGreen segment reported an 11.1 percent decrease in operating revenue and a 26.9 percent decrease in Operating Performance for the year ended December 31, 2012 compared to 2011. TruGreen s operating loss for the year ended December 31, 2012 was $805.0 million, compared to operating income of $129.3 million for the year ended December 31, 2011. Revenue from residential lawn service customers, which was 82.5 percent of the segment s operating revenue in 2012, decreased 13.0 percent compared to 2011, reflecting an 11.9 percent decline in average residential full program customer counts and a steep decline in less than full program sales, offset, in part, by improved price realization. Absolute customer counts as of December 31, 2012 compared to 2011 declined 11.3 percent, driven by a decrease in new unit sales and acquisitions, offset, in part, by a 190 bps increase in the residential full program customer retention rate. The decrease in new unit sales was significantly impacted by changes in our product offerings and the rebalancing of our sales channel mix. For the year ended December 31, 2012 compared to 2011, the segment s operating revenue also reflected a $13.5 million increase in revenue from commercial customers, offset, in part, by a $14.4 million decrease in third-party revenue, primarily sales of ice melt products.

TruGreen s operating income for the year ended December 31, 2012 and 2011 included pre-tax non-cash impairment charges of $908.9 million and $36.7 million, respectively, to reduce the carrying value of TruGreen s goodwill and the TruGreen trade name to their estimated fair values as further discussed in Note 1 to our consolidated financial statements included elsewhere in this prospectus. TruGreen s Operating Performance decreased $56.2 million for the year ended December 31, 2012 compared to 2011. Key executive transition charges of $1.4 million and $1.0 million were recorded in 2012 and 2011, respectively, which included recruiting costs related to the hiring of David Alexander, the President of TruGreen, and separation charges related to the resignation in 2012 of Thomas Bracket, a former President of TruGreen, and the resignation in 2011 of Stephen Donly, also a former President of TruGreen. The remaining $55.8 million decrease primarily reflects the impact of lower operating revenue, a reduction in labor productivity, higher fertilizer prices and usage rates, higher technology costs related to a new operating system, which is in the process of being deployed, higher fuel prices and increased investments in productivity and standardization initiatives, offset, in part, by lower sales staffing, driven by our decision to reduce our focus on the neighborhood sales channel, and a reduction in ice melt sales, which has lower margins than core lawn services.

Year ended December 31, 2011

The TruGreen segment reported a 0.4 percent increase in operating revenue, a 15.1 percent increase in operating income and a 7.5 percent increase in Operating Performance for the year ended December 31, 2011 compared to 2010. Revenue from residential lawn service customers, which was 84.3 percent of the segment s operating revenue in 2011, was comparable to 2010, reflecting improved price realization and a $5.7 million increase in other expanded services, offset by a 4.8 percent decline in average residential full program customer counts. Absolute customer counts as of December 31, 2011 compared to 2010 declined 5.3 percent, driven by a decrease in new unit sales, primarily in our neighborhood selling channel, offset, in part, by a 70 bps increase in the residential full program customer retention rate.

Table of Contents

TruGreen s operating income for the year ended December 31, 2011 included pre-tax non-cash impairment charges of $36.7 million to reduce the carrying value of the TruGreen trade name to its estimated fair value as further discussed in Note 1 to our consolidated financial statements included elsewhere in this prospectus. There were no similar charges in 2010. TruGreen s Operating Performance increased $14.6 million for the year ended December 31, 2011 compared to 2010. Key executive transition charges of $1.0 million were recorded in 2011, which included separation charges related to the resignation in 2011 of Stephen Donly, a former President of TruGreen. The remaining $15.6 million increase primarily reflects a reduction in sales and marketing expense driven by the reduced focus on the neighborhood sales channel and cost reductions realized through ongoing initiatives, offset, in part, by higher fuel and fertilizer prices.

American Home Shield Segment

Year ended December 31, 2012

The American Home Shield segment, which provides home warranties and preventative maintenance contracts for household systems and appliances, reported a 5.0 percent increase in operating revenue, a 32.9 percent increase in operating income and a 7.2 percent increase in Operating Performance for the year ended December 31, 2012 compared to 2011. The operating revenue results reflect improved price realization and a 0.3 percent increase in average customer counts. Absolute customer counts as of December 31, 2012 were comparable to 2011 driven by an increase in new unit sales, offset by a 140 bps decrease in the customer retention rate.

American Home Shield s Operating Performance increased $9.6 million for the year ended December 31, 2012 compared to 2011. American Home Shield s Operating Performance included interest and net investment income from the American Home Shield investment portfolio of $6.2 million and $9.8 million for the years ended December 31, 2012 and 2011, respectively. Additionally, a $5.4 million increase in tax related reserves and key executive transition charges of $1.2 million, which included recruiting and relocation costs and a signing bonus related to the hiring of the new President of American Home Shield and separation charges related to the retirement of the former President of American Home Shield, were recorded in 2012. The remaining $19.8 million increase primarily reflects the impact of higher operating revenue and a reduction, as a percent of revenue, in home warranty claims costs and sales and marketing expense, offset, in part, by higher provisions for certain legal matters and increased investments to drive improvements in service delivery.

American Home Shield is investing in a new operating system that is designed to improve customer relationship management capabilities and enhance our operations. The development has taken longer than anticipated, which has resulted in a delay in the projected start of the first phase of our implementation. We expect to continue to incur capitalizable and non-capitalizable technology charges through the final implementation date but do not expect these charges to have a material impact on our financial position, results of operations or cash flows.

Year ended December 31, 2011

The American Home Shield segment reported a 4.6 percent increase in operating revenue, a 38.7 percent increase in operating income and a 13.2 percent increase in Operating Performance for the year ended December 31, 2011 compared to 2010. The operating revenue results reflect improved price realization, driven, in part, by the introduction of new product options in our direct-to-consumer channel, and a 0.1 percent increase in average customer counts. Absolute customer counts as of December 31, 2011 compared to 2010 increased 1.6 percent driven by a 210 bps increase in the customer retention rate, offset, in part, by a decrease in new unit sales. American Home Shield s sales in the real estate channel were negatively impacted by softness in the home resale market and elimination of the government housing incentive program, which was extended through the first quarter of 2011. This decline was offset, in part, by growth in consumer sales.

American Home Shield s Operating Performance increased $15.4 million for the year ended December 31, 2011 compared to 2010. American Home Shield s Operating Performance included interest and net investment income from the American Home Shield investment portfolio of $9.8 million and $6.2 million for the years ended December 31, 2011 and 2010, respectively. The remaining $11.8 million increase primarily reflects the impact of higher operating revenue, lower provisions for certain legal matters and cost reductions realized through ongoing

Table of Contents

initiatives, offset, in part, by higher technology costs related to a new operating system and, as a percent of revenue, higher home warranty claims costs.

ServiceMaster Clean Segment

Year ended December 31, 2012

The ServiceMaster Clean segment, which provides residential and commercial disaster restoration, janitorial and cleaning services through franchises primarily under the ServiceMaster and ServiceMaster Clean brand names, on-site wood furniture repair and restoration services primarily under the Furniture Medic brand name and home inspection services primarily under the AmeriSpec brand name, reported a 0.5 percent increase in operating revenue, a 5.6 percent decrease in operating income and a 4.7 percent decrease in Operating Performance for the year ended December 31, 2012 compared to 2011. Domestic royalty fees, which were 51.7 percent of the segment s operating revenue in 2012, decreased 3.1 percent compared to 2011, primarily driven by decreases in disaster restoration services. Revenue from janitorial national accounts, which was 11.8 percent of the segment s operating revenue in 2012, increased 36.1 percent compared to 2011, driven by strong sales activity. Sales of products to franchisees, which were 10.3 percent of the segment s operating revenue in 2012, decreased 12.9 percent compared to 2011, driven by lower franchisee demand for equipment.

ServiceMaster Clean s Operating Performance decreased $3.0 million for the year ended December 31, 2012 compared to 2011. Key executive transition charges of $1.0 million and $0.4 million were recorded in 2012 and 2011, respectively, which included recruiting, relocation costs and a signing bonus related to the hiring of the new President of ServiceMaster Clean and Merry Maids and separations charges related to the retirement of the former President of ServiceMaster Clean. The remaining $2.4 million decrease primarily reflects the impact of lower domestic royalty fees, which have higher margins than janitorial national accounts, and lower sales of products to franchisees.

Year ended December 31, 2011

The ServiceMaster Clean segment reported a 5.0 percent increase in operating revenue, a 4.0 percent increase in operating income and a 0.4 percent increase in Operating Performance for the year ended December 31, 2011 compared to 2010. Domestic royalty fees, which were 53.6 percent of the segment s operating revenue in 2011, increased 6.4 percent compared to 2010, driven by increases in disaster restoration services. Revenue from janitorial national accounts, which was 8.7 percent of the segment s operating revenue in 2011, increased 32.4 percent compared to 2010, driven by strong sales activity. Sales of products to franchisees, which were 11.9 percent of the segment s operating revenue in 2011, decreased 8.4 percent compared to 2010.

ServiceMaster Clean s Operating Performance increased $0.3 million for the year ended December 31, 2011 compared to 2010. Key executive transition charges of $0.4 million were recorded in 2011, which included a signing bonus related to the hiring of the new President of ServiceMaster Clean and Merry Maids. The remaining $0.7 million increase primarily reflects the impact of higher operating revenue, offset, in part, by higher support services costs, sales and marketing expense and technology and other costs, all driven by ongoing initiatives to increase share primarily in the commercial, fire remediation and janitorial market segments.

Other Operations and Headquarters Segment

Year ended December 31, 2012

This segment includes the franchised and company-owned operations of Merry Maids, SMAC and the Company s headquarters functions. The segment reported a 2.1 percent increase in operating revenue, a 13.7 percent increase in operating loss and a 15.0 percent decrease in Operating Performance for the year ended December 31, 2012 compared to 2011.

Merry Maids, which accounted for 92.7 percent of the segment s operating revenue in 2012, reported a 1.3 percent increase in operating revenue, a 20.5 percent decrease in operating income and a 19.1 percent decrease in

Table of Contents

Operating Performance for the year ended December 31, 2012 compared to 2011. Revenue from company-owned branches, which was 73.9 percent of Merry Maids operating revenue in 2012, decreased 0.8 percent compared to 2011, reflecting a $4.6 million reduction in operating revenue driven by the sale of ten company-owned branches to existing and new franchises in the fourth quarter of 2011, offset, in part, by improved price realization. As adjusted for branch dispositions in 2011, operating revenue reflected a 7.3 percent increase in average customer counts at company-owned branches. Absolute customer counts as of December 31, 2012 compared to 2011 increased 10.5 percent driven by a 420 bps increase in the customer retention rate and an increase in acquisitions, offset, in part, by a decrease in new unit sales. Royalty fees, which were 20.5 percent of Merry Maids operating revenue in 2012, increased 7.7 percent compared to 2011, driven by organic franchise growth, franchise license sales and the sale of the company-owned branches to existing and new franchises. Sales of products to franchisees, which were 5.7 percent of Merry Maids operating revenue in 2012, increased 7.7 percent compared to 2011, driven by higher equipment sales.

Merry Maids Operating Performance decreased $4.0 million for the year ended December 31, 2012 compared to 2011. Technology costs of $4.2 million were recorded in 2012, which related to the abandonment of certain internally developed software. Additionally, key executive transition charges of $0.6 million, which included separation charges related to the resignation of the former President of Merry Maids, and a gain of $1.3 million, resulting from the sale of the company-owned branches, were recorded in 2011. The remaining $0.9 million increase reflects the impact of higher operating revenue and improved labor efficiencies.

The Operating Performance of SMAC and the Company s headquarters functions decreased $10.1 million for the year ended December 31, 2012 compared to 2011. The segment s Operating Performance included interest and net investment income of $0.1 million and $1.0 million for the years ended December 31, 2012 and 2011, respectively. Additionally, key executive transition charges of $1.2 million and $4.7 million were recorded for the years ended December 31, 2012 and 2011, respectively, which included recruiting costs and signing bonuses related to the hiring of Hank Mullany, our former CEO, Roger Cregg, our former CFO, and other key executives and separation charges related to the resignation of Steve Martin, also a former CFO. The remaining $12.7 million decrease in Operating Performance primarily reflects higher expenses in our automobile, general liability and workers compensation insurance programs due primarily to the reversal, in 2011, of claims reserves driven by favorable claims experience, and higher technology costs related to PCI standards compliance purposes.

Year ended December 31, 2011

The segment reported a 2.3 percent increase in operating revenue, a 1.7 percent improvement in operating loss and a 0.6 percent improvement in Operating Performance for the year ended December 31, 2011 compared to 2010.

Merry Maids, which accounted for 93.5 percent of the segment s operating revenue in 2011, reported a 3.0 percent increase in operating revenue, a 7.0 percent increase in operating income and a 1.9 percent increase in Operating Performance for the year ended December 31, 2011 compared to 2010. Revenue from company-owned branches, which was 75.4 percent of Merry Maids operating revenue in 2011, increased 0.7 percent compared to 2010, driven by improved price realization, offset, in part, by a 0.3 percent decline in average customer counts. Absolute customer counts as of December 31, 2011 compared to 2010 declined 3.6 percent driven by the sale of ten company-owned branches to existing and new franchisees in the fourth quarter of 2011, offset, in part, by a 630 bps increase in the customer retention rate. Royalty fees, which were 19.3 percent of Merry Maids operating revenue in 2011, increased 6.3 percent compared to 2010, primarily driven by market expansion.

Merry Maids Operating Performance increased $0.4 million for the year ended December 31, 2011 compared to 2010. Key executive transition charges of $0.6 million were recorded in 2011, which included separation charges related to the resignation of the former President of Merry Maids. Additionally, a gain of $1.3 million was recorded in 2011, resulting from the sale of the company-owned branches. The remaining $0.3 million decrease reflects an increase in sales and marketing expense, fuel costs and incentive compensation expense, offset, in part, by the impact of higher operating revenue.

Table of Contents

The Operating Performance of SMAC and the Company s headquarters functions increased $0.2 million for the year ended December 31, 2011 compared to the year ended December 31, 2010. The segment s Operating Performance included interest and net investment income of $1.0 million and $1.8 million for the years ended December 31, 2011 and 2010, respectively. Additionally, key executive transition charges of $4.7 million and $5.0 million were recorded for the years ended December 31, 2011 and 2010, respectively, which included recruiting costs and signing bonuses related to the hiring of Hank Mullany, our new CEO, and Roger Cregg, a now former CFO, and separation charges related to the resignation of Steve Martin, also a former CFO, and the retirement of Pat Spainhour, our former CEO. The remaining $0.7 million increase in Operating Performance primarily reflects lower spending in the Company s centers of excellence, as well as favorable claims trends in our automobile, general liability and workers compensation program, offset, in part, by higher technology costs related to PCI standards compliance purposes and higher incentive compensation expense.

Discontinued Operations

In the first quarter of 2011, ServiceMaster concluded that TruGreen LandCare did not fit within the long-term strategic plans of the Company and committed to a plan to sell the business. On April 21, 2011, the Company entered into a purchase agreement to sell TruGreen LandCare, and the disposition was effective as of April 30, 2011. As a result of the decision to sell this business, a $34.2 million impairment charge ($21.0 million, net of tax) was recorded in loss from discontinued operations, net of income taxes, in the first quarter of 2011 to reduce the carrying value of TruGreen LandCare s assets to their estimated fair value less cost to sell in accordance with applicable accounting standards. Upon completion of the sale, a $6.2 million loss on sale ($1.9 million, net of tax) was recorded. During the year ended December 31, 2012, upon finalization of certain post-closing adjustments and disputes, the Company recorded an additional $1.3 million loss on sale ($0.5 million gain, net of tax).

During the year ended December 31, 2010, the Company recorded pre-tax non-cash impairment charges of $46.9 million ($28.7 million, net of tax) associated with the goodwill and trade name at TruGreen LandCare in loss from discontinued operations, net of income taxes.

The components of loss from discontinued operations, net of income taxes, and the reconciliation of operating loss to Adjusted EBITDA and Operating Performance for the years ended December 31, 2012, 2011 and 2010 are as follows:

	Year Ended December 31,		
(In thousands)	**2012**	**2011**	**2010**
Operating loss (1)	$ (1,138)	$ (40,620)	$ (49,971)
Benefit for income taxes(1)	(453)	(15,461)	(17,973)
Operating loss, net of income taxes(1)	(685)	(25,159)	(31,998)
Gain (loss) on sale, net of income taxes	485	(1,857)	
Loss from discontinued operations, net of income taxes(1)	$ (200)	$ (27,016)	$ (31,998)
Operating loss (1)	$ (1,138)	$ (40,620)	$ (49,971)
Interest expense		16	46
Depreciation and amortization expense		3,509	11,524
EBITDA	(1,138)	(37,095)	(38,401)
Non-cash goodwill and trade name impairment(1)		34,185	46,884
Adjusted EBITDA		(2,910)	8,483
Non-cash credits attributable to purchase accounting		(154)	(621)
Restructuring (credits) charges		(203)	778
Operating Performance	$ (1,138)	$ (3,267)	$ 8,640

(1) During 2011, a pre-tax non-cash impairment charge of $34.2 million ($21.0 million, net of tax) was recorded to reduce the carrying value of TruGreen LandCare s assets to their estimated fair value less cost to sell in accordance with applicable accounting standards. Also includes goodwill and trade name impairments of $46.9 million ($28.7 million, net of tax) in 2010.

Table of Contents

Financial Position and Liquidity

Cash Flows from Operating Activities from Continuing Operations

Net cash provided from operating activities from continuing operations decreased $60.4 million to $234.6 million for the year ended December 31, 2012 compared to $295.0 million for the year ended December 31, 2011 and $222.5 million for the year ended December 31, 2010.

Net cash provided from operating activities in 2012 was comprised of $312.4 million in earnings adjusted for non-cash charges and $3.0 million in premiums received on issuance of the 8% Notes, offset, in part, by a $20.5 million increase in cash required for working capital, $42.9 million in cash payments for the call premium paid on the redemption of $996 million aggregate principal amount of the 2015 Notes and $17.3 million in cash payments related to restructuring charges. Working capital requirements were adversely impacted by the timing of interest payments on the Senior Notes and decreased accruals for incentive compensation.

Net cash provided from operating activities in 2011 was comprised of $334.4 million in earnings adjusted for non-cash charges, offset, in part, by $7.5 million in cash payments related to restructuring charges and a $31.9 million increase in cash required for working capital. For the year ended December 31, 2011, working capital requirements were adversely impacted by a reduction in reserve levels under certain self-insurance programs and unrecognized tax benefits.

Net cash provided from operating activities in 2010 was comprised of $253.8 million in earnings adjusted for non-cash charges, offset, in part, by $10.8 in cash payments related to restructuring charges and a $20.5 million increase in cash required for working capital. For the year ended December 31, 2010 working capital requirements were adversely impacted by growth in accounts receivable balances, due in part to unfavorable collection trends partially attributable to increases in revenue in service lines with longer than average collection terms. Also adversely impacting working capital requirements was a reduction in reserve levels under certain self-insurance programs. Working capital requirements were favorably impacted by a change in the timing of payments to our vendors and increased accruals for incentive compensation.

Cash Flows from Investing Activities from Continuing Operations

Net cash used for investing activities from continuing operations was $118.3 million for the year ended December 31, 2012 compared to $135.2 million for the year ended December 31, 2011 and $175.1 million for the year ended December 31, 2010.

Capital expenditures decreased to $73.2 million in 2012 from $96.5 million in 2011 and $134.2 million in 2010 and included recurring capital needs, including vehicle fleet purchases in 2010 and 2011, and information technology projects, including a new operating system and telecommunications infrastructure at TruGreen and a new operating system at American Home Shield. The Company anticipates that capital expenditures for the full year 2013 will range from $85.0 million to $95.0 million, reflecting recurring needs and the continuation of investments in information systems and productivity enhancing technology including new operating systems at TruGreen, American Home Shield and Merry Maids. The Company fulfilled our vehicle fleet needs through vehicle capital leases in 2012 and expects to fulfill our ongoing vehicle fleet needs in the same manner. The Company has no additional material capital commitments at this time.

Cash payments for acquisitions in 2012 totaled $46.1 million, compared with $44.4 million in 2011 and $57.9 million in 2010. Consideration paid for tuck-in acquisitions consisted of cash payments and debt payable to sellers. The Company expects to continue its tuck-in acquisition program at levels consistent with prior periods.

Cash flows used for notes receivable, financial investments and securities, net in 2012 were $1.2 million and were primarily driven by increased investments in marketable securities at American Home Shield and growth in customer financing through SMAC. Cash flows provided from notes receivable, financial investments and securities, net were $3.0 million for the year ended December 31, 2011 compared to $20.4 million for the year ended

Table of Contents

December 31, 2010. Cash flows provided from notes receivable, financial instruments and securities, net in 2010 included the return of the Company s investment in previously leased real estate facilities of $22.0 million.

Cash Flows from Financing Activities from Continuing Operations

Net cash used for financing activities from continuing operations was $18.0 million for the year ended December 31, 2012 compared to $102.2 million for the year ended December 31, 2011 and $46.4 million for the year ended December 31, 2010. During 2012, the Company sold $1.350 billion aggregate principal amount of the 7.000% Notes and the 8% Notes and used a majority of the proceeds to redeem $996.0 million aggregate principal amount of the 2015 Notes and to repay $276.3 million of outstanding borrowings under the Term Facilities. During 2012, the Company made scheduled principal payments on long-term debt of $55.7 million, made payments on other long-term financing obligations of $6.9 million and paid debt issuance costs of $33.1 million related to the sale of the 7.000% Notes and the 8% Notes. During 2011, the Company borrowed $4.0 million under other financing arrangements, purchased from Holdings $65.0 million face value of 2015 Notes and made scheduled principal payments of long-term debt of $40.9 million. During the year ended December 31, 2010, the Company borrowed and repaid $5.0 million under the Revolving Credit Facility, borrowed $10.0 million under other financing arrangements, made scheduled principal payments of long-term debt of $43.8 million and made repayments of $12.5 million in connection with purchases of properties previously under lease.

Liquidity

The Company is highly leveraged, and a substantial portion of the Company s liquidity needs are due to service requirements on indebtedness incurred in connection with the Merger, some of which has been refinanced, and from funding the Company s operations, working capital and capital expenditures. The agreements governing the Term Facilities, the Revolving Credit Facility and the Indenture contain covenants that limit or restrict the ability of the Company to incur additional indebtedness, repurchase debt, incur liens, sell assets, make certain payments (including dividends) and enter into transactions with affiliates. As of December 31, 2012, the Company was in compliance with the covenants under these agreements that were in effect on such date.

The Company s ongoing liquidity needs are expected to be funded by cash on hand, net cash provided by operating activities and, as required, borrowings under the Revolving Credit Facility. We expect that cash provided from operations and available capacity under the Revolving Credit Facility will provide sufficient funds to operate our business, make expected capital expenditures and meet our liquidity requirements through December 31, 2013, including payment of interest and principal on our debt. As of December 31, 2012, the Company had $447.7 million of remaining capacity available under the Revolving Credit Facility.

Cash and Marketable Securities

Cash and short- and long-term marketable securities totaled $568.5 million as of December 31, 2012, compared with $471.4 million as of December 31, 2011. As of December 31, 2012 and 2011, $243.7 million and $226.2 million, respectively, of the cash and short- and long-term marketable securities balances were associated with regulatory requirements at American Home Shield and for other purposes. Such amounts are identified as being potentially unavailable to be paid to the Company by its subsidiaries. American Home Shield s 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. From time to time, the Company reviews the statutory reserve requirements to which its regulated entities are subject and any changes to such requirements. These reviews may result in identifying current reserve levels above or below minimum statutory reserve requirements, in which case the Company may adjust its reserves. The reviews may also identify opportunities to satisfy certain regulatory reserve requirements through alternate financial vehicles.

Fleet and Equipment Financing Arrangements

A portion of the Company s vehicle fleet and some equipment are leased through month-to-month operating leases, cancelable at the Company s option. There are residual value guarantees by the Company (which approximate 84 percent of the estimated terminal value at the inception of the lease) relative to these vehicles and

Table of Contents

equipment, which historically have not resulted in significant net payments to the lessors. 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. As of December 31, 2012, the Company s residual value guarantees related to the leased assets totaled $20.2 million for which the Company has recorded as a liability the estimated fair value of these guarantees of $0.3 million in the Consolidated Statements of Financial Position.

The Company has entered into a fleet management services agreement (the Fleet Agreement) which, among other things, allows the Company to obtain fleet vehicles through a leasing program. The Company fulfilled substantially all of its vehicle fleet needs in 2012 through the leasing program under the Fleet Agreement. As of December 31, 2012, the Company had acquired $41.9 million of vehicles under the Fleet Agreement leasing program. All leases under the Fleet Agreement are capital leases for accounting purposes. The lease rental payments include an interest component calculated using a variable rate based on one-month LIBOR plus other contractual adjustments and a borrowing margin totaling 2.45%. The Company has no minimum commitment for the number of vehicles to be obtained under the Fleet Agreement. The Company anticipates that new lease financings under the Fleet Agreement for the full year 2013 will range from $45 million to $55 million.

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 and in other circumstances required by the counterparty. As of December 31, 2012, the estimated fair value of the Company s fuel swap contracts was a net asset of $1.8 million, and the Company had posted $4.0 million in letters of credit as collateral under its fuel hedging program, none of which were issued under the Company s Revolving Credit Facility. 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 contracts to materially impact its financial position or liquidity.

Revolving Credit Facility

On January 30, 2012, ServiceMaster entered into the Extension Amendment and the Increase Supplement to its Revolving Credit Facility. After effectiveness on February 13, 2012 of the Extension Amendment and the Increase Supplement, we have available borrowing capacity under the Revolving Credit Facility of $447.7 million through July 24, 2013, $324.2 million from July 25, 2013 through July 24, 2014 and $265.2 million from July 25, 2014 through January 31, 2017. The Company will continue to have access to letters of credit up to $75.0 million through January 31, 2017.

Senior Notes

During the fourth quarter of 2011, the Company purchased $65.0 million in face value of the 2015 Notes from Holdings for a cost of $68.0 million, which included payment of accrued interest of $3.0 million. The debt acquired by the Company was retired, and the Company discontinued the payment of interest. The Company recorded a loss on extinguishment of debt of $0.8 million in its Consolidated Statements of Operations and Comprehensive (Loss) Income for the year ended December 31, 2011 for the write-off of unamortized debt issuance costs related to the extinguished debt.

In February 2012, the Company sold in transactions exempt from registration under the Securities Act of 1933, as amended, $600 million aggregate principal amount of 8% Notes. In connection therewith, the Company entered into a registration rights agreement, pursuant to which the Company filed with the SEC a registration statement with respect to the exchange of the 8% Notes for similar notes that are publicly registered, which was declared effective on April 27, 2012. The 8% Notes will mature on February 15, 2020 and bear interest at a rate of 8 percent per annum. The proceeds from the 8% Notes, together with available cash, were used to redeem $600 million in aggregate principal amount of the Company s outstanding 2015 Notes in the first quarter of 2012. Following this redemption, $396 million aggregate principal amount of the 2015 Notes remained outstanding.

In August 2012, the Company sold in transactions exempt from registration under the Securities Act of 1933, as amended, $750 million aggregate principal amount of 7.000% Notes. In connection therewith, the Company entered into a registration rights agreement, pursuant to which the Company agreed to file with the SEC a registration statement with respect to the exchange of the Notes for similar notes that are publicly registered and to

Table of Contents

cause the registration statement to become effective before August 21, 2013. The 7.000% Notes will mature on August 15, 2020 and bear interest at a rate of 7 percent per annum. The Company used a majority of the proceeds from the 7.000% Notes to redeem the remaining $396 million aggregate principal amount of its 2015 Notes and to repay $276 million of outstanding borrowings under its Term Facilities during the third quarter of 2012. The Company recorded a loss on extinguishment of debt of $55.6 million in its Consolidated Statements of Operations and Comprehensive (Loss) Income for the year ended December 31, 2012 related to these transactions and the redemption of the 2015 Notes in the first quarter of 2012 discussed above. The 8% Notes and the 7.000% Notes are jointly and severally guaranteed on a senior unsecured basis by the Company s domestic subsidiaries that guarantee our indebtedness under the Credit Facilities (the Guarantors). The 8% Notes and the 7.000% Notes are not guaranteed by any of our non-U.S. subsidiaries, any subsidiaries subject to regulation as an insurance, home warranty or similar company, or certain other subsidiaries (the Non-Guarantors).

Term Facilities

On August 22, 2012, the Company entered into an amendment (the 2012 Term Loan Facility Amendment) to its Term Loan Facility to amend the credit agreement governing the Term Loan Facility (the Credit Agreement) primarily to extend the maturity date of a portion of the borrowings under the Term Loan Facility. Prior to the 2012 Term Loan Facility Amendment, the Term Loan Facility had a maturity date of July 24, 2014. Pursuant to the 2012 Term Loan Facility Amendment, $1.001 billion of outstanding borrowings under the Term Loan Facility (the Tranche B Loans) will have a maturity date of January 31, 2017. The remaining portion of $1.219 billion of outstanding borrowings (the Tranche A Loans) continued to have a maturity date of July 24, 2014. 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 ServiceMaster s option, (i) an adjusted London inter-bank offered rate (adjusted for maximum reserves), plus a borrowing margin or (ii) an alternate base rate, plus a borrowing margin. As of December 31, 2012, the borrowing margin for the outstanding loans with a maturity date of January 31, 2017 was 4.25 percent and for the outstanding loans with a maturity date of July 24, 2014 was 2.50 percent per annum. The 2012 Term Loan Facility Amendment also includes mechanics for future extension amendments, permits borrower buy-backs of term loans, increases the size of certain baskets and makes certain other changes to the Credit Agreement, including the reduction of the availability under the L/C Facility from $150.0 million to $137.6 million.

On February 22, 2013, the Company entered into Amendment No. 2 to its Term Loan Facility (the 2013 Term Loan Facility Amendment) to amend the Credit Agreement primarily to extend the maturity date of a portion of the borrowings under the Term Loan Facility. Pursuant to the 2013 Term Loan Facility Amendment, the maturity of the outstanding Tranche A loans was extended, and such loans were converted into a new tranche of term loans in an aggregate principal amount, along with new loans extended by certain new lenders, of $1.220 billion (the Tranche C loans). The maturity date for the new Tranche C loans is January 31, 2017. The interest rates applicable to the Tranche C loans under the Term Loan Facility are based on a fluctuating rate of interest measured by reference to either, at the Company s option, (i) an adjusted London inter-bank offered rate (adjusted for maximum reserves) plus 3.25 percent, with a minimum adjusted London inter-bank offered rate of 1.00 percent or (ii) an alternate base rate plus 2.25 percent, with a minimum alternate base rate of 2.00 percent. As part of the 2013 Term Loan Facility Amendment, the Company paid an original issue discount equal to 1.00 percent of the outstanding borrowings, or $12.2 million. Voluntary prepayments of borrowings under the Tranche C Loans are permitted at any time, in minimum principal amounts, without premium or penalty, subject to a 1.00 percent premium payable in connection with certain repricing transactions within the first year.

As a result of the 2012 Term Loan Facility Amendment and the 2013 Term Loan Facility Amendment, the Company will have approximately $2.220 billion of outstanding borrowings maturing January 31, 2017.

Accounts Receivable Securitization

The Company has an accounts receivable securitization arrangement under which Terminix and TruGreen may sell certain eligible trade accounts receivable to ServiceMaster Funding Company LLC (Funding), the Company s wholly owned, bankruptcy-remote subsidiary, which is consolidated for financial reporting purposes.

Table of Contents

Funding, in turn, may transfer, on a revolving basis, an undivided percentage ownership interest of up to $50.0 million in the pool of accounts receivable to one or both of the unrelated purchasers who are parties to the accounts receivable securitization arrangement (Purchasers). The amount of the eligible receivables varies during the year based on seasonality of the businesses and could, at times, limit the amount available to the Company from the sale of these interests. As of December 31, 2012, the amount of eligible receivables was approximately $39.2 million.

During the years ended December 31, 2012 and 2011, there were no transfers of interests in the pool of trade accounts receivable to Purchasers under this arrangement. As of December 31, 2012 and 2011, the Company had $10.0 million outstanding under the arrangement and, as of December 31, 2012 had $29.2 million of remaining capacity available under the accounts receivable securitization arrangement.

The accounts receivable securitization arrangement is a 364-day facility scheduled to mature on October 23, 2013. Unless the arrangement is renegotiated or extended prior to its expiration, all obligations under the accounts receivable securitization arrangement must be repaid by October 23, 2013.

Limitations on Distributions and Dividends by Subsidiaries

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 well as restrictions under the laws of its subsidiaries jurisdictions.

The payment of ordinary and extraordinary dividends by the Company s subsidiaries that are regulated as insurance, home warranty or similar companies is subject to applicable state law limitations. Insurance subsidiaries and home warranty and similar subsidiaries (through which ServiceMaster conducts its American Home Shield business) are subject to significant regulatory restrictions under the laws and regulations of the states in which they operate. Among other things, such laws and regulations require certain such subsidiaries to maintain minimum capital and net worth requirements and may limit the amount of ordinary and extraordinary dividends and other payments that these subsidiaries can pay to ServiceMaster. For example, certain states prohibit payment by these subsidiaries to ServiceMaster of dividends in excess of 10% of their capital as of the most recent year end, as determined in accordance with prescribed insurance accounting practices in those states. Of the $243.7 million as of December 31, 2012, which we identify as being potentially unavailable to be paid to the Company by its subsidiaries, approximately $188.7 million is held by our home warranty and insurance subsidiaries and is subject to these regulatory limitations on the payment of funds to us. We expect that such limitations are expected to be in effect in 2013. The remainder of the $243.7 million, or $55.0 million, is related to amounts that the Company s management does not consider readily available to be used to service indebtedness due, among other reasons, to the Company s cash management practices and working capital needs at various subsidiaries. None of the subsidiaries of ServiceMaster are obligated to make funds available to ServiceMaster through the payment of dividends.

We consider undistributed earnings of our foreign subsidiaries as of December 31, 2012 to be indefinitely reinvested and, accordingly, no U.S. income taxes have been provided thereon. The amount of cash associated with indefinitely reinvested foreign earnings was approximately $28.7 million and $24.1 million as of December 31, 2012 and 2011, respectively. We have not repatriated, nor do we anticipate the need to repatriate, funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

Contractual Obligations

The following table presents the Company s contractual obligations and commitments as of December 31, 2012. See discussion above in Liquidity for information on the 2013 Term Loan Facility Amendment entered into in February 2013, which is not reflected in the table below.

Table of Contents

(In millions)	Total	Less than 1 Yr	1 - 3 Yrs	3 - 5 Yrs	More than 5 Yrs
Principal repayments*	$ 3,981.6	$ 41.6	$ 1,256.2	$ 976.6	$ 1,707.2
Capital leases	46.5	10.6	21.0	14.8	0.1
Estimated interest payments(1)	1,425.8	214.8	362.1	300.5	548.4
Non-cancelable operating leases(2)	140.6	42.0	53.9	27.4	17.3
Purchase obligations:					
Supply agreements and other(3)	97.2	50.6	27.2	17.4	2.0
Outsourcing agreements(4)	76.3	23.9	20.1	21.3	11.0
Other long-term liabilities:*					
Insurance claims	168.9	83.0	34.5	11.9	39.5
Discontinued Operations	0.9	0.9			
Other, including deferred compensation trust(2)	15.2	1.5	2.1	2.0	9.6
Total Amount	$ 5,953.0	$ 468.9	$ 1,777.1	$ 1,371.9	$ 2,335.1

* 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 and principal maturities specified in the associated debt agreements. Payments related to variable debt are based on applicable rates at December 31, 2012 plus the specified margin in the associated debt agreements for each period presented as of December 31, 2012. The estimated debt balance (including capital leases) as of each fiscal year end from 2013 through 2017 is $3.976 billion, $2.726 billion, $2.699 billion, $2.676 billion and $1.707 billion, respectively. The weighted-average interest rate (including interest rate swaps) on the estimated debt balances at each fiscal year end from 2013 through 2017 is expected to be 5.6 percent, 6.3 percent, 6.3 percent, 6.3 percent and 7.4 percent, respectively. See Note 12 of our consolidated financial statements included elsewhere in this prospectus for the terms and maturities of existing debt obligations.

(2) A portion 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. The amounts in non-cancelable operating leases exclude all prospective cancelable payments under these agreements. There are residual value guarantees by the Company (which approximate 84 percent of the estimated terminal value at the inception of the lease) relative to these vehicles and equipment, which historically have not resulted in significant net payments to the lessors. 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. As of December 31, 2012, the Company s residual value guarantees related to the leased assets totaled $20.2 million for which the Company has recorded as a liability the estimated fair value of these guarantees of $0.3 million in the Consolidated Statements of Financial Position. This liability has been included in other long-term liabilities above.

(3) These obligations include commitments for various products and services including, among other things, inventory purchases, telecommunications services, marketing and advertising services and other professional services. Arrangements are considered purchase obligations if a contract specifies all significant terms, including fixed or minimum quantities to be purchased, a pricing structure and approximate timing of the transactions. Most arrangements are cancelable without a significant penalty and with short notice (usually 30-120 days) and amounts reflected above include the minimum contractual obligation of the Company (inclusive of applicable cancellation penalties). For obligations with significant penalties associated with termination, the minimum required expenditures over the term of the agreement have been included in the table above.

(4) Outsourcing agreements include commitments for the purchase of certain outsourced services from third-party vendors (see further discussion of the Company s agreement with IBM below). Because the services provided through these agreements are integral to the operations of the Company, the Company has concluded that it is appropriate to include the total anticipated costs for services under these agreements in the table above.

On December 11, 2008, the Company entered into an agreement with IBM pursuant to which IBM provides information technology operations and applications development services (collectively, the IT Services) to the Company. ServiceMaster pays IBM for the IT Services under the agreement through a combination of fixed and variable charges, with variable charges fluctuating based on the Company s actual need for IT Services. For the year ended December 31, 2012, the Company paid IBM $22.4 million for the IT Services.

Table of Contents

The Company expects to phase out a significant portion of its use of IT Services from IBM by the end of 2013, but does not expect its costs for IT Services to increase materially. The figures in the table above reflect expected spend with IBM of $7.5 million for 2013 as the IT Services are reduced.

In March 2012, the Company and IBM entered into an amendment (the IBM Amendment) to the information technology outsourcing services agreement, modifying the terms pursuant to which IBM provides IT services to the Company and its subsidiaries. The IBM Amendment facilitates the expected phase-out through 2013 of a significant portion of the services provided to the Company by IBM as of December 31, 2011. The terms and provisions of the IBM Amendment: (i) remove the Company s existing minimum revenue commitment to IBM; (ii) extend from 24 months to 36 months the availability of termination assistance from IBM for application development and maintenance services; (iii) allow ServiceMaster to terminate the Agreement related to network, infrastructure and end-user services for convenience upon 60 days notice with no termination fees; (iv) significantly reduce termination fees for disaster recovery services; and (v) eliminate termination fees for application development services if the Company terminates such services after September 2013.

In August 2012, the Company and IBM entered into a separate amendment to the information technology outsourcing services agreement, further modifying the terms pursuant to which IBM provides IT services to the Company and its subsidiaries. The amendment deletes the service levels associated with the information technology infrastructure services that have been eliminated through August 1, 2012 and amends provisions of the agreement relating to the service levels for the remaining application maintenance services. The terms of the two IBM amendments accelerate the phase out of a significant portion of the information technology services provided by IBM.

Due to the uncertainty with respect to the timing of future cash flows associated with unrecognized tax benefits at December 31, 2012, the Company is unable to reasonably estimate the period of cash settlement with the respective taxing authority. Accordingly, $8.3 million of unrecognized tax benefits have been excluded from the contractual obligations table above. See the discussion of income taxes in Note 5 of our consolidated financial statements included elsewhere in this prospectus.

As further described above in Liquidity, the Company entered into the 2013 Term Loan Facility Amendment in February 2013. The following table presents the Company s contractual obligations and commitments as of December 31, 2012 as if the 2013 Term Loan Facility Amendment had occurred on December 31, 2012. This pro forma presentation impacts the Principal repayments, Estimated interest payments and Total Amount rows only. No other changes have been made from the information presented in the contractual obligations table above.

(In millions)	**Total**	**Less than 1 Yr**	**1 - 3 Yrs**	**3 - 5 Yrs**	**More than 5 Yrs**
Principal repayments	$ 3,982.5	$ 41.6	$ 73.7	$ 2,160.0	$ 1,707.2
Capital leases	46.5	10.6	21.0	14.8	0.1
Estimated interest payments	1,582.2	233.5	445.5	354.8	548.4
Non-cancelable operating leases	140.6	42.0	53.9	27.4	17.3
Purchase obligations:					
Supply agreements and other	97.2	50.6	27.2	17.4	2.0
Outsourcing agreements	76.3	23.9	20.1	21.3	11.0
Other long-term liabilities:					
Insurance claims	168.9	83.0	34.5	11.9	39.5
Discontinued Operations	0.9	0.9			
Other, including deferred compensation trust	15.2	1.5	2.1	2.0	9.6
Total Amount	$ 6,110.3	$ 487.6	$ 678.0	$ 2,609.6	$ 2,335.1

Financial Position   Continuing Operations

Receivables increased from prior year levels, reflecting accounts receivable growth at American Home Shield and product sales and termite completions at Terminix.

Prepaid expenses and other assets decreased from prior year levels, reflecting a reduction in prepaid marketing expense at Terminix.

Current deferred tax assets increased from prior year levels, reflecting the reclassification of certain net operating losses from long-term to current.

Property and equipment increased from prior year levels, reflecting purchases for recurring capital needs, information technology projects and vehicles.

Goodwill decreased from prior year levels as a result of a goodwill impairment in 2012 in the TruGreen business. See Note 1 to our consolidated financial statements included elsewhere in this prospectus for further information.

Intangible assets decreased from prior year levels due to amortization expense and a trade name impairment in 2012 in the TruGreen business. See Note 1 to our consolidated financial statements included elsewhere in this prospectus for further information.

Debt issuance costs increased from prior year levels due to debt issuance costs paid related to the sale of the 7.000% Notes and the 8% Notes, partially offset by write-offs of debt issuance costs related to the redemption of the 2015 Notes and an early principal payment on the Term Loan Facilities and amortization expense being recorded.

Accounts payable increased from prior year levels, reflecting a change in the timing of payments to vendors.

Accrued payroll and related expense decreased from prior year levels, reflecting a reduction in accrued incentive compensation expense.

Accrued self-insurance claims and related expenses increased from prior year levels, reflecting an increase in accruals for home warranty claims in the American Home Shield business.

Accrued interest payable decreased from prior year levels, reflecting interest payments made in conjunction with the redemption of the 2015 Notes.

Deferred revenue increased from prior year levels, primarily reflecting higher revenue deferrals at American Home Shield.

Long-term debt increased from prior year levels, reflecting the issuance of the 7.000% Notes and the 8% Notes, offset, in part, by the redemption of the 2015 Notes and payments made on the Term Loan Facilities, as discussed in Liquidity , and scheduled principal payments.

Non-current deferred tax liabilities decreased from prior year levels, reflecting the goodwill and trade name impairment, offset, in part, by the reclassification of certain net operating losses from long-term to current.

Other long-term obligations, primarily self-insured claims, decreased from prior year levels, reflecting decreases in the fair value liability recorded for interest rate swap contracts and reductions in required reserve levels under certain of our self-insurance programs.

Total shareholder s equity was $554.7 million as of December 31, 2012 compared to $1.248 billion as of December 31, 2011.

Financial Position Discontinued Operations

The assets and liabilities related to discontinued operations have been classified in a separate caption on the Consolidated Statements of Financial Position.

Table of Contents

Off-Balance Sheet Arrangements

The Company has off-balance sheet arrangements in the form of guarantees as discussed in Note 9 of our consolidated financial statements included elsewhere in this prospectus.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements requires management to make certain estimates and assumptions required under GAAP which may differ from actual results. The more significant areas requiring the use of management estimates relate to revenue recognition; the allowance for uncollectible receivables; accruals for self-insured retention limits related to medical, workers compensation, auto and general liability insurance claims; accruals for home warranties and termite damage claims; the possible outcome of outstanding litigation; accruals for income tax liabilities as well as deferred tax accounts; the deferral and amortization of customer acquisition costs; useful lives for depreciation and amortization expense; the valuation of marketable securities; and the valuation of tangible and intangible assets. In 2012, there have been no changes in the significant areas that require estimates or in the underlying methodologies used in determining the amounts of these associated estimates.

The allowance for receivables is developed based on several factors including overall customer credit quality, historical write-off experience and specific account analyses that project the ultimate collectability of the outstanding balances. As such, these factors may change over time causing the reserve level to vary.

The Company carries insurance policies on insurable risks at levels which it believes to be appropriate, including workers compensation, auto and general liability risks. The Company purchases insurance from third-party insurance carriers. These policies typically incorporate significant deductibles or self-insured retentions. The Company is responsible for all claims that fall within the retention limits. In determining the Company s accrual for self-insured claims, the Company uses historical claims experience to establish both the current year accrual and the underlying provision for future losses. This actuarially determined provision and related accrual include both known claims, as well as incurred but not reported claims. The Company adjusts its estimate of accrued self-insured claims when required to reflect changes based on factors such as changes in health care costs, accident frequency and claim severity.

Accruals for home warranty claims in the American Home Shield business are made based on the Company s claims experience and actuarial projections. Termite damage claim accruals in the Terminix business are recorded based on both the historical rates of claims incurred within a contract year and the cost per claim. Current activity could differ causing a change in estimates. The Company has certain liabilities with respect to existing or potential claims, lawsuits, and other proceedings. The Company accrues for these liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Any resulting adjustments, which could be material, are recorded in the period identified.

The Company records deferred income tax balances based on the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and income tax purposes. The Company records its deferred tax items based on the estimated value of the tax basis. The Company adjusts tax estimates when required to reflect changes based on factors such as changes in tax laws, relevant court decisions, results of tax authority reviews and statutes of limitations. The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company recognizes potential interest and penalties related to its uncertain tax positions in income tax expense.

Revenues from lawn care and pest control services, as well as liquid and fumigation termite applications, are recognized as the services are provided. The Company eradicates termites through the use of non-baiting methods (e.g., fumigation or liquid treatments) and baiting systems. Termite services using baiting systems, termite inspection and protection contracts, as well as home warranties, are frequently sold through annual contracts for a one-time, upfront payment. Direct costs of these contracts (service costs for termite contracts and claim costs for home warranties) are expensed as incurred. The Company recognizes revenue over the life of these contracts in proportion to the expected direct costs. Those costs bear a direct relationship to the fulfillment of the Company s obligations under the contracts and are representative of the relative value provided to the customer (proportional

Table of Contents

performance method). The Company regularly reviews its estimates of direct costs for its termite bait contracts and home warranties and adjusts the estimates when appropriate.

The Company has franchise agreements in its Terminix, TruGreen, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec businesses. Franchise revenue (which in the aggregate represents approximately four percent of annual consolidated operating revenue from continuing operations) consists principally of continuing monthly fees based upon the franchisee s customer level revenue. Monthly fee revenue is recognized when the related customer level revenue is reported by the franchisee and collectability is reasonably assured. Franchise revenue also includes initial fees resulting from the sale of a franchise or a license. These initial franchise or license fees are pre-established fixed amounts and are recognized as revenue when collectability is reasonably assured and all material services or conditions relating to the sale have been substantially performed.

Customer acquisition costs, which are incremental and direct costs of obtaining a customer, are deferred and amortized over the life of the related contract in proportion to revenue recognized. These costs include sales commissions and direct selling costs which can be shown to have resulted in a successful sale.

Fixed assets and intangible assets with finite lives are depreciated and amortized on a straight-line basis over their estimated useful lives. These lives are based on the Company s previous experience for similar assets, potential market obsolescence and other industry and business data. As required by accounting standards for the impairment or disposal of long-lived assets, the Company s long-lived assets, including fixed assets and intangible assets (other than goodwill), are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the carrying value is no longer recoverable based upon the undiscounted future cash flows of the asset, an impairment loss would be recognized equal to the difference between the carrying amount and the fair value of the asset. Changes in the estimated useful lives or in the asset values could cause the Company to adjust its book value or future expense accordingly.

As required under accounting standards for goodwill and other intangibles, goodwill is not subject to amortization, and intangible assets with indefinite useful lives are not amortized until their useful lives are determined to no longer be indefinite. Goodwill and intangible assets that are not subject to amortization are subject to assessment for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. The Company adopted the provisions of ASU 2011-08, Testing Goodwill for Impairment, in the fourth quarter of 2011. This Accounting Standards Update (ASU) gives entities the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not greater than its carrying amount, the two-step impairment test would not be required. For the 2012 annual goodwill impairment review performed as October 1, 2012, the Company did not perform qualitative assessments on any reporting units, but instead completed Step 1 of the goodwill impairment test for all reporting units. For the 2011 annual goodwill impairment review performed as of October 1, 2011, the Company performed qualitative assessments on the Terminix, American Home Shield and ServiceMaster Clean reporting units. Based on these assessments, the Company determined that, more likely than not, the fair values of Terminix, American Home Shield and ServiceMaster Clean were greater than their respective carrying amounts. As a result, the two-step goodwill impairment test was not performed for Terminix, American Home Shield and ServiceMaster Clean in 2011.

As permitted under accounting standards for goodwill and other intangibles prior to the adoption of ASU 2011-08, the Company carried forward a reporting unit s valuation from the most recent valuation under the following conditions: the assets and liabilities of the reporting unit have not changed significantly since the most recent fair value calculation, the most recent fair value calculation resulted in an amount that exceeded the carrying amount of the reporting unit by a substantial margin and, based on the facts and circumstances of events that have occurred since the last fair value determination, the likelihood that a current fair value calculation would result in an impairment would be remote. For the 2010 annual goodwill impairment review performed as of October 1, 2010, the Company carried forward the valuations of the Terminix and ServiceMaster Clean reporting units completed as of October 1, 2009. The Company did not carry forward the valuations for any trade names for the 2010 annual trade name impairment review.

Table of Contents

Goodwill impairment is determined using a two-step process. The first step involves a comparison of the estimated fair value of a reporting unit to its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit using a combination of a DCF analysis, a market-based comparable approach and a market-based transaction approach. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, terminal growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based comparable approach and relevant transaction multiples for the market-based transaction approach. The cash flows employed in the DCF analyses are based on the Company s most recent budget and, for years beyond the budget, the Company s estimates, which are based on estimated growth rates. The discount rates used in the DCF analyses are intended to reflect the risks inherent in the future cash flows of the respective reporting units. In addition, the market-based comparable and transaction approaches utilize comparable company public trading values, comparable company historical results, research analyst estimates and, where available, values observed in private market transactions. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

The impairment test for other intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of intangible assets not subject to amortization are determined using a DCF valuation analysis. The DCF methodology used to value trade names is known as the relief from royalty method and entails identifying the hypothetical cash flows generated by an assumed royalty rate that a third party would pay to license the trade names and discounting them back to the valuation date. Significant judgments inherent in this analysis include the selection of appropriate discount rates and hypothetical royalty rates, estimating the amount and timing of estimated future cash flows attributable to the hypothetical royalty rates and identification of appropriate terminal growth rate assumptions. The discount rates used in the DCF analyses are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

Goodwill and indefinite-lived intangible assets, primarily the Company s trade names, are assessed annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. The Company performed an interim goodwill impairment analysis at TruGreen as of September 30, 2012 that resulted in a pre-tax non-cash goodwill impairment of $794.2 million. During the fourth quarter of 2012, the Company finalized its September 30, 2012 TruGreen valuation resulting in a $4.0 million adjustment to goodwill decreasing the 2012 goodwill impairment charge to $790.2 million. The Company s 2012, 2011, and 2010 annual impairment analyses, which were performed as of October 1 of each year, did not result in any goodwill impairments.

The Company performed an interim trade name impairment analysis at TruGreen as of June 30, 2012 resulting in a pre-tax non-cash trade name impairment charge of $67.7 million recorded in the second quarter of 2012. Further, the Company performed an interim trade name impairment analysis at TruGreen as of September 30, 2012 resulting in a pre-tax non-cash trade name impairment charge of $51.0 million recorded in the third quarter of 2012.

The Company s annual trade name impairment analyses, which were performed as of October 1 of each year, resulted in pre-tax non-cash impairment of $36.7 million in 2011 related to the TruGreen trade name. The Company s October 1, 2012 and 2010 trade name impairment analyses did not result in any trade name impairments. The impairment charges by business segment for the years ended December 31, 2012 and 2011, as

74

Table of Contents

well as the remaining value of the trade names not subject to amortization by business segment as of December 31, 2012 and 2011 are as follows:

(In thousands)	Terminix	TruGreen	American Home Shield	ServiceMaster Clean	Other Operations & Headquarters(1)	Total
Balance at December 31, 2009 and 2010	$ 875,100	$ 762,200	$ 140,400	$ 152,600	$ 439,900	$ 2,370,200
2011 Impairment		(36,700)				(36,700)
Balance at December 31, 2011	875,100	725,500	140,400	152,600	439,900	2,333,500
2012 Impairment		(118,700)				(118,700)
Balance at December 31, 2012	$ 875,100	$ 606,800	$ 140,400	$ 152,600	$ 439,900	$ 2,214,800

(1) The Other Operations and Headquarters segment includes Merry Maids.

The goodwill impairment charge recorded in 2012 was primarily attributable to a decline in forecasted 2012 cash flows and a decrease in projected future growth in cash flows at TruGreen over a defined projection period as of September 30, 2012 compared to the projections used in the previous annual impairment assessment performed on October 1, 2011. The changes in projected cash flows at TruGreen were in part a consequence of the shift in strategy for TruGreen described in Segment Review TruGreen Segment in Management s Discussion and Analysis in Item 7 of this Form 10-K. Although the Company projected future growth in cash flows at TruGreen as a part of its September 30, 2012 impairment analysis, total cash flows and projected growth in those cash flows were lower than that projected at the time TruGreen was tested for impairment in 2011. The long-term growth rates used in the impairment tests at September 30, 2012 and October 1, 2011 were the same and in line with historical U.S. gross domestic product growth rates. The discount rate used in the September 30, 2012 impairment test was 50 bps lower than the discount rate used in the October 1, 2011 impairment test for TruGreen. The decrease in the discount rate is primarily attributable to changes in market conditions which indicated an improved outlook for the U.S. financial markets since the last analysis in 2011.

Based on the revenue results at TruGreen in the first six months of 2012 and a then lower revenue outlook for the remainder of 2012 and future years, the Company concluded that there was an impairment indicator requiring the performance of an interim indefinite-lived intangible asset impairment test for the TruGreen trade name as of June 30, 2012. That impairment analysis resulted in a $67.7 million impairment charge recorded in the second quarter of 2012. Based on the revenue results of TruGreen in the third quarter of 2012 and the revised outlook for the remainder of the year and future years, the Company performed another impairment analysis on its TruGreen trade name to determine its fair value as of September 30, 2012. Based on the revised projected revenue for TruGreen as compared to the projections used in the second quarter 2012 impairment test, the Company determined the fair value attributable to the TruGreen trade name was less than its carrying value by $51.0 million, which was recorded as a trade name impairment in the third quarter of 2012.

The impairment charge recorded in the second quarter of 2012 was primarily attributable to a decrease in projected future growth in revenue at TruGreen over a defined projection period as of June 30, 2012 compared to the projections used in the previous annual impairment assessment performed on October 1, 2011. The third quarter impairment charge was primarily attributable to a further reduction in projected revenue growth as compared to expectations in the second quarter of 2012. The changes in projected future revenue growth at TruGreen were in part a consequence of the shift in strategy for TruGreen described in Segment Review TruGreen Segment in Management s Discussion and Analysis in Item 7 of this Form 10-K. Although the Company projected future growth in revenue at TruGreen over a defined projection period as a part of its September 30, 2012 impairment analysis, such growth was lower than the revenue growth projected at the time the trade name was tested for impairment in the second quarter of 2012. The long-term revenue growth rates used for periods after the defined projection period in the impairment tests at September 30, 2012, June 30, 2012 and October 1, 2011 were the same and in line with historical U.S. gross domestic product growth rates. The discount rates used in the September 30, 2012 and June 30, 2012 impairment tests were the same, but were 50 bps lower than the discount rate used in the October 1, 2011 impairment test for the TruGreen trade name. The decrease in the discount rate from 2011 is primarily attributable to changes in market conditions which indicated an improved outlook for the U.S. financial markets since the last analysis.

Table of Contents

The impairment charge in 2011 was primarily attributable to the use of higher discount rates in the DCF valuation analyses as compared to the discount rates used in the 2010 impairment analyses. Although the projected future growth in cash flows in 2011 were slightly higher than in the 2010 valuation, the increase in the discount rates more than offset the improved cash flows. The increase in the discount rates is primarily attributable to changes in market conditions which indicated a lower risk tolerance in 2011 as compared to 2010. This lower risk tolerance is exhibited through the marketplace s desire for higher returns in order to accept market risk. The long-term revenue growth rates used in the analyses for the October 1, 2011 and 2010 impairment tests were the same and in line with historical U.S. gross domestic product growth rates.

Had the Company used a discount rate in assessing the impairment of its trade names as of October 1, 2012 that was one percent higher across all business segments (holding all other assumptions unchanged), the Company would have recorded an additional trade name impairment charge of approximately $50.9 million in 2012.

As a result of the trade name impairment recorded in 2012, the carrying value of the TruGreen trade name was adjusted to its estimated fair value as of September 30, 2012. Any further decline in the estimated fair value of this trade name will result in additional trade name impairment. It is possible that such impairment, if required, could be material and may need to be recorded prior to the fourth quarter of 2013 (i.e., during an interim period) if the Company s results of operations or other factors require an impairment test at an interim date.

The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company has entered into specific financial arrangements 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 Company has historically hedged a significant portion of its annual fuel consumption of approximately 20 million gallons. The Company has also hedged the interest payments on a portion of its variable rate debt through the use of interest rate swap agreements. All of the Company s fuel swap contracts and interest rate swap contracts are classified as cash flow hedges, and, as such, the hedging instruments are recorded on the Consolidated Statements of Financial Position as either an asset or liability at fair value, with the effective portion of changes in the fair value attributable to the hedged risks recorded in accumulated other comprehensive income (loss).

See Note 1 of our consolidated financial statements included elsewhere in this prospectus for a summary of newly issued accounting statements and positions applicable to the Company.

Quantitative and Qualitative Disclosures about Market Risk

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 costs 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 and fuel swap agreements, 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.

Interest Rate Risk

The Company has entered into various interest rate swap agreements. Under the terms of these agreements, the Company pays a fixed rate of interest on the stated notional amount, and the Company receives a floating rate of interest (based on one month LIBOR) on the stated notional amount. Therefore, during the term of the swap agreements, the effective interest rate on the portion of the term loans under the Term Facilities equal to the stated notional amount is fixed at the stated rate in the interest rate swap agreements plus the incremental borrowing margin (2.50 percent as of December 31, 2012 for term loans maturing in July 2014 and 4.25 percent as of December 31, 2012 for term loans maturing in January 2017). The changes in interest rate swap agreements in effect

Table of Contents

for the years ended December 31, 2012, 2011 and 2010, as well as the cumulative interest rate swaps outstanding as of December 31, 2012 and 2011 are as follows:

(In thousands)		Notional Amount	Weighted Average Fixed Rate(1)
Interest rate swap agreements in effect as of December 31, 2009	$	1,430,000	3.89%
Entered into effect		530,000	
Expired		(530,000)	
Interest rate swap agreements in effect as of December 31, 2010		1,430,000	3.68%
Entered into effect		450,000	
Expired		(450,000)	
Interest rate swap agreements in effect as of December 31, 2011		1,430,000	2.84%
Expired		(450,000)	
Interest rate swap agreements in effect as of December 31, 2012	$	980,000	1.70%

(1) Before the application of the applicable borrowing margin.

Interest rate swap agreements in effect as of December 31, 2012 are as follows:

Trade Date	Effective Date	Expiration Date		Notional Amount	Weighted Average Fixed Rate(1)	Floating Rate
June 10, 2010	March 3, 2011	March 1, 2013	$	100,000	1.77%	One month LIBOR
June 10, 2010	September 1, 2011	September 1, 2013		50,000	2.25%	One month LIBOR
June 15, 2010	March 3, 2011	March 1, 2013		150,000	1.66%	One month LIBOR
June 15, 2010	September 1, 2011	September 1, 2013		150,000	2.21%	One month LIBOR
August 18, 2011	September 1, 2011	August 1, 2013		530,000	1.51%	One month LIBOR

(1) Before the application of the applicable borrowing margin.

In accordance with accounting standards 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 Consolidated Statements of Financial Position 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 accumulated other comprehensive income (loss).

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 our outstanding debt, including debt 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 December 31, 2012, each one percentage point change in interest rates would result in an approximate $12.4 million change in the annual interest expense on our Term Facilities after considering the impact of the interest rate swaps into which we had entered. Assuming all revolving loans were fully drawn as of December 31, 2012, each one percentage point change in interest rates would result in an approximate $4.5 million change in annual interest expense on our Revolving Credit Facility.

We are also exposed to increases in interest rates with respect to our arrangement enabling us to transfer an interest in certain receivables to unrelated third parties. Assuming all available amounts were transferred under this arrangement, each one percentage point change in interest rates would result in an approximate $0.5 million change in annual interest expense with respect to this arrangement. We are also exposed to increases in interest rates with respect to our floating rate operating and capital leases, and a one percentage point change in interest rates would result in an approximate $0.7 million change in annual expenses with respect to such leases. The Company s exposure to interest rate fluctuations has not changed significantly since December 31, 2011. The impact of

Table of Contents

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.

The following table summarizes information about the Company s debt as of December 31, 2012 (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 based on applicable rates at December 31, 2012.

As of December 31, 2012	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
				Expected Year of Maturity ($ in millions)				
Debt:								
Fixed rate	$ 12.0	$ 991.5	$ 9.0	$ 4.7	$ 2.0	$ 1,707.2	$ 2,726.4	$ 2,711.5
Average interest rate	8.8%	4.3%	8.7%	8.4%	8.5%	7.4%	6.3%	
Variable rate	$ 40.2	$ 258.8	$ 17.9	$ 17.9	$ 966.8	$ 0.1	$ 1,301.7	$ 1,306.7
Average interest rate	2.8%	2.8%	3.6%	3.6%	4.4%	2.5%	4.0%	
Interest Rate Swaps:								
Receive variable/pay fixed	$ 980.0							
Average pay rate(1)	1.7%							
Average receive rate(1)	0.2%							

(1) Before the application of the applicable borrowing margin.

In February 2013, the Company entered into the 2013 Term Loan Facility Amendment, which is not reflected in the table above. The following table summarizes information about the Company s debt as of December 31, 2012 as if the 2013 Term Loan Facility Amendment had occurred on December 31, 2012 (after considering the effect of the interest rate swap agreements), including the principal payments and related weighted-average interest rates by expected maturity dates based on applicable rates at December 31, 2012.

As of December 31, 2012	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value
				Expected Year of Maturity ($ in millions)				
Debt:								
Fixed rate	$ 12.0	$ 11.5	$ 9.0	$ 4.7	$ 982.0	$ 1,707.2	$ 2,726.4	$ 2,711.5
Average interest rate	8.8%	8.8%	8.7%	8.4%	4.2%	7.4%	6.3%	
Variable rate	$ 40.2	$ 44.1	$ 30.1	$ 30.1	$ 1,158.0	$ 0.1	$ 1,302.6	$ 1,307.6
Average interest rate	3.3%	3.4%	3.9%	3.8%	4.4%	2.5%	4.3%	
Interest Rate Swaps:								
Receive variable/pay fixed	$ 980.0							
Average pay rate(1)	1.7%							
Average receive rate(1)	0.2%							

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 20 million gallons of fuel on an annual basis. A ten percent change in fuel prices would result in a change of approximately $7.0 million in the Company s annual fuel cost before considering the impact of fuel swap contracts. The Company s exposure to changes in fuel prices has not changed significantly since December 31, 2011.

The Company uses fuel swap contracts to mitigate the financial impact of fluctuations in fuel prices. As of December 31, 2012, the Company had fuel swap contracts to pay fixed prices for fuel with an aggregate notional amount of $40.2 million, maturing through 2013. The estimated fair value of these contracts as of December 31, 2012 was a net asset of $1.8 million. These fuel swap contracts provide a fixed price for approximately 58 percent of the Company s estimated fuel usage for 2013.

Table of Contents

BUSINESS

Company Overview

The ServiceMaster Company is a global company serving both residential and commercial customers, with a network of approximately 7,300 company-owned, franchised and licensed locations. ServiceMaster s services include termite and pest control, lawn care, home warranties and preventative maintenance contracts, janitorial, cleaning and disaster restoration, house cleaning, wood furniture repair and home inspection. We provide these services primarily under the following leading brands: Terminix, TruGreen, American Home Shield, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec.

We are organized into five principal reportable segments: Terminix, TruGreen, American Home Shield, ServiceMaster Clean, and Other Operations and Headquarters. The financial information for each operating segment for 2012, 2011 and 2010 is contained in Note 3 to our consolidated financial statements included elsewhere in this prospectus. During 2012, we employed an average of approximately 20,000 company associates, and we estimate that our franchise network independently employed over 31,000 additional people. Approximately 98 percent of our 2012 operating revenue was generated by sales in the United States. A significant portion of our assets is located in the United States, and the consolidated value of all assets located outside of the United States is not material. Incorporated in Delaware in 1991, ServiceMaster is the successor to various entities dating back to 1947.

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	2012	2011	2010
Terminix	40%	37%	37%
TruGreen	31%	34%	35%
American Home Shield	22%	22%	21%
ServiceMaster Clean	4%	4%	4%
Other Operations and Headquarters	3%	3%	3%

Terminix Segment

The Terminix segment provides termite and pest control services primarily under the Terminix brand name and also distributes pest control products. Terminix is a leading provider of termite and pest control services in the United States, serving both residential and commercial customers. Of Terminix s 2012 operating revenue, 39 percent and 17 percent were generated from residential and commercial pest control services, respectively, and 36 percent and 3 percent were generated from residential and commercial termite control services, respectively (with the remainder from other services).

As of December 31, 2012, Terminix provided these services in 47 states and the District of Columbia through approximately 285 company-owned locations and 100 franchised locations. As of December 31, 2012, Terminix also provided termite and pest control services through subsidiaries in Mexico, the Caribbean and Central America and a joint venture in India and had licensing arrangements whereby licensees provided these services in Japan, China, South Korea, Southeast Asia, Central America, the Caribbean and the Middle East.

The Terminix business is seasonal in nature. The termite swarm season, which typically occurs in early spring, but varies in timing and intensity by region depending on climate and other factors, leads to the highest demand for termite control services and, therefore, the highest level of revenues. Similarly, increased pest activity in the warmer months generally leads to the highest demand for pest control services and, therefore, the highest level of revenues.

Table of Contents

TruGreen Segment

The TruGreen segment provides lawn, tree and shrub care services primarily under the TruGreen brand name. TruGreen is a leading provider of lawn, tree and shrub care services in the United States, serving both residential and commercial customers. Of TruGreen s 2012 operating revenue, 53 percent was generated from residential weed control and fertilization services, while expanded lawn services (such as aeration and grub control) (18 percent), commercial weed control and fertilization services (18 percent), and tree and shrub services (11 percent) accounted for the remainder.

As of December 31, 2012, TruGreen provided these services in 48 states and the District of Columbia through approximately 200 company-owned locations and 35 franchised locations. As of December 31, 2012, TruGreen also provided lawn care services through a subsidiary in Canada and had licensing arrangements whereby licensees provided these services in Japan, the United Kingdom and Canada.

The TruGreen business is seasonal in nature. In the winter and spring, this business sells to customers a series of lawn applications, which are rendered primarily in March through October. Weather conditions such as droughts, severe winter storms and snowfall, whether created by climate change factors or otherwise, can adversely impact the timing of product or service delivery or demand for lawn care services and may result in a decrease in revenues or an increase in costs.

American Home Shield Segment

The American Home Shield segment provides home warranties and preventative maintenance contracts for household systems and appliances primarily under the American Home Shield brand name. American Home Shield is a leading provider of home warranties for household systems and appliances in the United States and also offers preventative maintenance contracts. It provides residential customers with contracts to repair or replace electrical, plumbing, central heating and central air conditioning systems, water heaters and other covered household systems and appliances and services those contracts through independent repair contractors. In 2012, 70 percent of the home warranties written by American Home Shield were derived from existing contract renewals, while 17 percent and 13 percent were derived from sales made in conjunction with existing home resale transactions and direct-to-consumer sales, respectively. As of December 31, 2012, American Home Shield issued and administered home warranties in 49 states and the District of Columbia and had no international operations.

Weather conditions such as extreme temperatures can lead to an increase in service requests related to household systems and appliances, resulting in a more expensive mix of claims or higher claim costs and lower profitability, thereby adversely impacting results of operations and cash flows.

ServiceMaster Clean Segment

The ServiceMaster Clean segment provides residential and commercial disaster restoration, janitorial and cleaning services through franchises primarily under the ServiceMaster and ServiceMaster Clean brand names, on-site wood furniture repair and restoration services primarily under the Furniture Medic brand name and home inspection services primarily under the AmeriSpec brand name. Of ServiceMaster Clean s 2012 operating revenue, 50 percent was generated from domestic royalty fees from residential and commercial disaster restoration and cleaning services, while international (19 percent), product sales (10 percent), national janitorial accounts (12 percent), lead generation fees (3 percent), on-site wood furniture repair and restoration (2 percent), home inspection services (2 percent) and new license sales (2 percent) accounted for the remainder.

ServiceMaster Clean. ServiceMaster Clean is a leading franchisor in the residential and commercial disaster restoration and cleaning fields in the United States. As of December 31, 2012, ServiceMaster Clean provided these services in 50 states and the District of Columbia through approximately 2,980 franchised locations. ServiceMaster Clean also has company locations in Canada, the United Kingdom and Honduras. As of December 31, 2012, ServiceMaster Clean had licensing arrangements whereby licensees provided disaster restoration, janitorial and cleaning services in Japan, the United Kingdom, Canada, India, the Middle East, Southeast Asia and Central America.

Table of Contents

Furniture Medic. Furniture Medic is a leading provider of on-site wood furniture repair and restoration services serving residential customers in the United States. As of December 31, 2012, Furniture Medic provided these services in 42 states and the District of Columbia through approximately 240 franchised locations. As of December 31, 2012, Furniture Medic also had licensing arrangements whereby licensees provided on-site wood furniture repair and restoration services in the United Kingdom, Canada and Turkey.

AmeriSpec. AmeriSpec is a leading provider of home inspection services serving residential customers in the United States. As of December 31, 2012, AmeriSpec provided these services in 38 states and the District of Columbia through approximately 210 franchised locations. AmeriSpec also had licensing arrangements whereby licensees provided home inspection services in Canada.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment includes the Merry Maids business unit, The ServiceMaster Acceptance Company Limited Partnership (SMAC) and ServiceMaster s corporate headquarters functions.

Merry Maids. Merry Maids is a leading provider of home cleaning services in the United States. As of December 31, 2012, these services were provided in 49 states and the District of Columbia through approximately 75 company-owned locations and 390 franchised locations. As of December 31, 2012, Merry Maids also had licensing arrangements whereby licensees provided home cleaning services in Japan, the United Kingdom, Canada, South Korea, Hong Kong, Australia and Southeast Asia.

SMAC. SMAC provides financing to our franchisees through commercial loans for franchise fees and royalties, equipment and vehicle purchases, and working capital needs. Commercial loans are typically for a term of one to seven years and are generally secured by the assets of the franchisee and other collateral. As of December 31, 2012, the outstanding balance of commercial loans was $35.9 million with a bad debt reserve for commercial loans of $2.8 million. SMAC wrote off $0.7 million in commercial loans in the year ended December 31, 2012. SMAC also provides financing to consumer customers of Terminix and TruGreen through retail installment sales contracts. Retail installment sales contracts are typically for a term of 12 months and are unsecured. As of December 31, 2012, the outstanding balance of retail installment sales contracts was $21.6 million. In the event a customer fails to make payments under a retail installment sales contract for 120 days after the due date, Terminix and TruGreen purchase the installment contract from SMAC.

Headquarters functions. The Business Support Center, headquartered in Memphis, Tennessee, includes company-wide administrative functions that we refer to as centers of excellence, which administer payroll, benefits, risk management and certain procurement services for our operations. We have various other centers of excellence which provide communications, marketing, government and public relations, administrative, accounting, financial, tax, certain information technology, human resources and legal services for our businesses.

Strengths

We believe our company has the following competitive strengths:

Leading market segment positions and iconic brands. We believe that Terminix, TruGreen and American Home Shield, which collectively contributed 93 percent of our operating revenue for the year ended December 31, 2012, each holds a leading position in its respective business segment. As measured by operating revenue, Terminix is approximately 1.2 times larger, TruGreen is approximately 4.0 times larger and American Home Shield is approximately 5.1 times larger than their nearest respective competitors, based on third-party studies and publicly available data. We believe that the size and scale of our businesses improve our purchasing power, route density, marketing and operating efficiencies compared to smaller local and regional competitors. We believe that, based on our understanding of our competitors and their operations, American Home Shield is one of the few nationwide providers of home service, home protection, residential service and similar service contracts (which we collectively refer to in this prospectus as home warranties) and preventative maintenance contracts in the United States with both national sales and technical services networks. We believe this provides a significant competitive

Table of Contents

advantage by enabling American Home Shield to educate real estate professionals, financial institutions and insurance agencies about the benefits of home warranties and preventative maintenance contracts.

Proven and consistent business model:

- *Solid performance through business cycles.* Our consolidated operating revenue and Operating Performance compound annual growth rates (CAGR) from 2009 through 2012 were 2.4 percent and 1.4 percent, respectively. For our definition of Operating Performance, a non-GAAP financial measure, and a reconciliation thereof to operating income (loss), see Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Review. We attribute this performance through the recent economic downturn principally to our diversified customer base in each of our businesses. We estimate that our brands have provided services and products to approximately 8 million customers during the last twelve months. No single customer represents a material portion of our consolidated operating revenue base, and our segments are not dependent on a single customer or a few customers who are provided with services and products by the ServiceMaster family of brands, including our franchisees.

- *Strong and stable customer retention rates.* The customers in our three largest segments typically enter into one-year service programs, which are renewable annually. Our customer retention rates were 79.3 percent for Terminix Pest Control, 85.6 percent for Terminix Termite, 68.6 percent for TruGreen and 73.7 percent for American Home Shield, as calculated on a rolling, twelve-month basis as of December 31, 2012. We have generally been able to sustain customer retention rates in our core business units through the recent economic downturn, contributing to the stability of our overall operating revenue base.

- *Improved cost structure under private ownership.* Since becoming a private company in 2007, we have improved our cost structure across our businesses. For example, the cost structure of Terminix has benefited from a branch optimization initiative, including adherence to branch operating models, sharing best practices and more efficient sourcing of labor and materials. We have also deployed technology and mobility solutions in the Terminix business, including handheld technologies designed to enhance technician efficiency and reduce operating costs, and have improved mobility and technology solutions across other business units to drive increased efficiencies.

Strong Operating Performance and cash flow profile. Our company has historically generated significant Operating Performance and operating cash flow. Our Operating Performance in 2012, 2011 and 2010 was $563 million, $610 million and $551 million, respectively. Because of our strong cash flow, we have been able to continue to invest in our businesses, with capital expenditures in 2012, 2011 and 2010 totaling $73 million, $97 million and $134 million, respectively. We have been able to manage our working capital needs principally through lower inventory requirements, improved vendor payment terms and increased customer prepayment programs in several of our businesses.

Strategy

Our overall strategy is to leverage our competitive advantages across all of our businesses. Each of our businesses has action plans to execute our strategy based on their current capabilities, competitive position and evolving customer needs. Each of our businesses benefits from ServiceMaster s focus on the following strategic priorities:

82

Table of Contents

Rapid, profitable growth:

- *Enhance customer experience and improve customer retention.* We seek to grow operating revenue through initiatives designed to enhance customer satisfaction and loyalty. Key objectives include the optimization of customer communication, enhanced use of software for scheduling and work order management, continued improvement of quality of services delivered through better training, faster problem resolution and increased transfer of best practices across our businesses. The following are certain of our key initiatives:

- We utilize thousands of customer satisfaction surveys each month, as well as annual proprietary consumer research, to drive continuous improvement of our customers experience;

- TruGreen has simplified and customized its agronomic programs for each region of the country. This initiative is designed to increase TruGreen s ability to deliver on the core customer desire for a green, weed-free lawn. In addition, TruGreen is rolling out distributed call management technology, which allows call handling to be distributed to remote locations from a central management system, to improve customer call-handling, as well as sales and service handheld technology to enhance the customer experience;

- American Home Shield is developing a new operating system designed, in part, to enhance customer experience and improve customer retention; and

- ServiceMaster Clean is seeking to expand our relationships with insurance companies to increase disaster restoration revenues by becoming a partner of choice.

- *Pursue expansion opportunities.* We intend to take advantage of opportunities for expansion in territories where we believe macroeconomic conditions and local demographics can support profitable operations in the segments in which we operate. We believe that increased geographic penetration will further diversify our business portfolio. Among our expansion initiatives are the following:

- We believe that our size and geographic scale, strong brand awareness and customer service focus will enable us to increase our market segment share across our portfolio of businesses. At the same time, we believe there are significant opportunities to increase the relatively low household penetration of our services and products and thus expand our addressable market segments;

- We cross-sell our services through direct marketing campaigns and at the point of sale. We believe that this cross-selling enables us to leverage our customer base;

- We believe that we are well positioned to use competitive advantages within our existing American Home Shield network to cross-sell related product offerings, such as home warranties and preventative maintenance contracts, to new and existing customers; and

- We believe that there are also future opportunities to accelerate growth internationally, in addition to our existing licensees. Terminix has already established a foothold in several emerging market areas as we seek to participate in such areas rapid growth over time.

- *Expand commercial penetration.* We believe that our extensive national coverage, brand strength and broad product and service offerings provide us with a significant competitive advantage for serving multi-location commercial accounts, especially compared to local and regional competitors. We believe that we have the opportunity to further utilize our competitive advantages with our broad national service network to increase our delivery of services to commercial accounts. To this end, we are pursuing the following:

- Terminix, TruGreen and ServiceMaster Clean have plans to accelerate the growth of their businesses into commercial market segments by adding more sales resources and, at Terminix and

Table of Contents

TruGreen, additional sales management infrastructure. We have equipped our sales associates at Terminix with handheld technology to make the sales process more efficient and effective and plan to equip our TruGreen sales associates with similar handheld technology;

- For our franchise businesses, we seek to add new franchises to increase our penetration of what are very fragmented service categories;

- We are seeking to grow our commercial janitorial services revenues through additional franchise locations in geographic areas where we do not have a significant presence; and

- We intend to leverage the combined ServiceMaster presence and service capabilities to accelerate growth by, where applicable, cross-selling services to existing customers and offering combined service bundles to new customers. We also plan to add sales resources and enhance our value proposition through technology, thoroughly reviewing market segment growth opportunities and targeting adjacent sectors through partnerships.

Best practice transfer and execution excellence. In recent years, we have employed a strategy of accelerating the transfer of best practices across our businesses, investing in technology and mobility solutions, centralizing support functions and reducing layers of management, along with other business unit specific initiatives. We believe there are significant opportunities for further improvement across and within each of our businesses, including further utilizing the competitive advantages of our centralized support center to take advantage of combined capabilities and scale. This strategy is illustrated by the following initiatives:

- Centers of excellence support each of our businesses. For example, in marketing:

- Our company-wide digital marketing center of excellence is designed to ensure that our businesses continue to outperform our competitors in terms of share of clicks and click-through rates with respect to online searches and keep abreast of rapidly-evolving opportunities in mobile, display, video and social marketing; and

- We plan to develop a core capability in strategic pricing, which will help our businesses navigate complex pricing techniques, bring to bear relevant internal and external data, and perform sophisticated analyses and structured pilot programs to optimize price levels.

- We have implemented a new human resources system to enhance our ability to train, support and manage our associates.

- TruGreen is benefitting from technology best practices pioneered by Terminix. Our sales and service mobility practices allow our associates in the field to perform their tasks more efficiently while simultaneously enhancing the customer experience.

- American Home Shield is upgrading its information technology platform to enhance vendor management and improve the customer experience. We intend to apply best practices from this upgrade to our other businesses.

- As we have increased the number of associates working to support more than one of our businesses, we have realized the benefits of sharing new perspectives and process innovation across businesses.

Talent Management. We intend to continue our focus on developing and retaining key associates to best align our business to the needs of our customer base. Talent drives customer experience, continuous improvement and the success of our growth initiatives. We are implementing this strategy through four key initiatives:

- *Alignment of organization structure with business strategy.* This focused effort allows us to quickly and effectively identify and address talent gaps in relation to implementing our strategic initiatives.

Table of Contents

- *Rigorous and ongoing talent management.* Our comprehensive talent review process aligns associate performance with the goals of our organization. The process is designed to improve performance management and attract and retain high caliber talent.

- *Accelerate talent development.* To drive improved customer retention, we are continuing our efforts to provide focused and ongoing customer service training for our key associates. We have also developed a leadership development program designed to promote upward mobility for associates within our organization.

- *Increase associate engagement.* We promote the consistent execution of our associate engagement plans across our businesses, with the goal of improving the experiences of our customers and increasing customer loyalty to our leading brands.

Industry and Competition

We compete in residential and commercial services industries, focusing on termite and pest control, lawn care, home warranties and preventative maintenance contracts, janitorial, cleaning and disaster restoration, house cleaning, wood furniture repair and home inspection. 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 referrals. We target market segments that meet our criteria for size, growth and profit potential. While we compete with a broad range of competitors in each discrete segment, we do not believe that any of our competitors provides all of the services we provide in all of the market segments we serve. We believe that our widely recognized brands, size, geographic footprint and reputation for service quality provide us with significant competitive advantages in reaching both residential and commercial customers. All of the primary segments in which we operate are highly fragmented, and we believe they are characterized by attractive industry conditions.

Termite and pest control

A 2012 study on the U.S. pest control industry conducted by Specialty Products Consultants, LLC estimates that the U.S. professional termite and pest control services segment generated $6.5 billion in revenue in 2011. The termite and pest control services segment is generally characterized by high customer retention rates. According to the Professional Pest Management Alliance s 2012 survey, approximately 30 percent of U.S. households currently use a professional exterminator in their homes. We estimate that the U.S. market segment share for the termite and pest control services provided under the Terminix brand is approximately 21 percent, based on total operating revenue for services provided by us and our franchisees of approximately $1.5 billion in 2012, of which $1.3 billion in operating revenue was reported by Terminix for services we provided in 2012.

Competition in the segment for professional termite and pest control services in the United States comes primarily from regional and local, independently operated firms, as well as from Orkin, Inc., a subsidiary of Rollins, Inc., and Ecolab, Inc., both of which compete nationally. We estimate that the top three providers (including Terminix) comprised approximately 45 percent of the U.S. professional termite and pest control services segment in 2012. The remaining portion of the U.S. professional termite and pest control services segment is highly fragmented with numerous privately-held, regional and local termite and pest control service providers.

Lawn care

According to a study by NorthStar Partners released in 2012, the U.S. professional lawn services segment specializing in lawn treatments was estimated at $6.3 billion in revenue in 2012. Based on the study conducted by NorthStar Partners, we estimate that our share of the U.S. lawn care services segment is approximately 16 percent based upon TruGreen s operating revenue of $979.1 million in 2012. Competition in the segment for outsourced

Table of Contents

professional lawn care services comes mainly from local and independently owned firms. Scotts LawnService, a segment of The Scotts Miracle-Gro Company, which we believe is our next largest competitor in the outsourced professional lawn care services segment, generated approximately $246 million of revenues in their fiscal 2012. Based on TruGreen s 2012 operating revenue and publicly available information, we estimate TruGreen is approximately 4.0 times larger than this competitor.

Home warranties

According to an industry market research report published by IBISWorld in 2012, the U.S. home warranty segment (including structural home warranties, which is a business in which we do not compete) was expected to be approximately $1.7 billion in 2012, as measured by reported revenue from third-party studies. One of the primary drivers of home warranties is the number of existing homes sold in the United States, since a home warranty is often recommended by a real estate sales professional or offered by the seller of a home in conjunction with a real estate transaction. According to the National Association of Realtors, existing home re-sales in units increased by approximately 9.2 percent in 2012 and are currently projected to increase by approximately 9.1 percent in 2013 and approximately 5.9 percent in 2014. Approximately 17 percent of the operating revenue of American Home Shield in 2012 was tied directly to existing home resales.

Competition for home warranties and preventative maintenance contracts that cover household systems and appliances comes mainly from regional providers. Several competitors are expected to initiate expansion efforts into additional states. According to IBISWorld data, American Home Shield and First American Financial Corporation are the two largest participants in the U.S. home warranty segment, based on 2011 revenue, with American Home Shield having a 42 percent market segment share and First American Financial Corporation having an 8 percent market segment share. Based on this information, American Home Shield is approximately 5.1 times larger than this competitor.

Disaster restoration and reconstruction, emergency response and other services

Most emergency response work results from extreme weather events and natural disasters such as hurricanes, floods, mudslides, tornadoes and earthquakes. Firms in this segment also respond to non-weather related emergency situations for residential and commercial customers, such as fires and flooding. Critical factors in the selection of an emergency response firm are the firm s reputation, relationships with insurers, available resources, proper insurance and credentials, quality, timeliness, and responsiveness. We also offer commercial janitorial services. The segment is highly fragmented, and key competitors of our ServiceMaster Clean business include Servpro Industries, Inc., Belfor, a subsidiary of Belfor Europe GmbH, BMS CAT, Inc., Stanley Steemer International, Inc., Sears, ABM Industries Incorporated and Jani-King International, Inc.

Home cleaning services

Competition in the market segment for home cleaning services comes mainly from local, independently owned firms, from homeowners and tenants who clean their own homes and from a few national companies such as The Maids International, Inc., Molly Maid, Inc. and The Cleaning Authority, LLC.

Marketing and Distribution

ServiceMaster markets its services primarily through the internet, direct mail, television and radio advertising, print advertisements, door-to-door solicitation, telemarketing and yellow pages advertisements. Additionally, American Home Shield and Terminix, in certain jurisdictions, market their services through various participants in the residential real estate market place, such as real estate brokerages, financial institutions and insurance agencies and, for American Home Shield, an internal sales organization that supports these distribution channels.

Table of Contents

Service Marks, Trademarks and Trade Names

ServiceMaster holds various service marks, trademarks and trade names, such as ServiceMaster, Terminix, TruGreen, American Home Shield, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec, that it deems particularly important to the advertising activities conducted by each of its reportable segments as well as the franchising activities conducted by certain reportable segments. As of December 31, 2012, ServiceMaster had marks that were protected by registration (either by direct registration or by treaty) in the United States and 90 other countries.

Franchises

Franchises are important to the Terminix, TruGreen, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec businesses. For the years ended December 31, 2012, 2011 and 2010, total franchise fees (initial and recurring) were $127.8 million, $127.1 million and $120.9 million, respectively, related franchise operating expenses were $54.8 million, $53.0 million and $50.0 million, respectively, and total profits from the franchised operations were $73.0 million, $74.1 million and $70.9 million, respectively. We evaluate the performance of our franchise businesses based primarily on operating profit before corporate general and administrative expenses and amortization of intangible assets. 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.

Major Customers

ServiceMaster has no single customer that accounts for more than ten percent of its consolidated operating revenue. Additionally, no operating segment has a single customer that accounts for more than ten percent 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 international, federal, state, provincial 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 offer, sell and fulfill 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 and lawsuits, any of which could have a material adverse effect on its reputation, business, financial condition, results of operations and cash flows.

These international, federal, state, provincial and local laws and regulations include laws relating to consumer protection, wage and hour, deceptive trade practices, permitting and licensing, real estate settlements, workers safety, tax, healthcare reforms, franchise-related issues, collective bargaining and other labor matters, environmental and employee benefits. The Terminix and TruGreen businesses must also meet certain Department of Transportation and Federal Motor Carrier Safety Administration requirements with respect to some types of vehicles in their fleets. American Home Shield is regulated in certain states by the applicable state insurance regulatory authority and by the Real Estate Commission in Texas. Terminix and TruGreen are regulated by federal, state and local laws, ordinances and regulations which are enforced by Departments of Agriculture, Pest Control Boards, Departments of Environmental Conservation and similar government entities. ServiceMaster Clean uses products containing ingredients regulated by the EPA and is subject to licensing and certification requirements for applying disinfectants, sanitizers and other EPA registered products in certain states. AmeriSpec is regulated by various state and local home inspection laws and regulations.

Table of Contents

Consumer Protection and Solicitation Matters

ServiceMaster is subject to international, federal, state, provincial and local 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, some states and local governing bodies have adopted laws and regulations targeted at direct telephone sales and do-not-knock, do-not-mail and do-not-leave activities. The implementation of these marketing regulations requires TruGreen, and, to a lesser extent, ServiceMaster s other operating segments, to rely more extensively on other marketing methods and channels. In addition, if ServiceMaster were to fail to comply with any applicable law or regulation, ServiceMaster could be subject to substantial fines or damages, be involved in litigation, suffer losses to its reputation and its business or suffer the loss of licenses or penalties that may affect how the business is operated, which, in turn, could have a material adverse effect on its financial position, results of operations and cash flows.

Franchise Matters

Terminix, TruGreen, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec are subject to various international, federal, state, provincial and local laws and regulations governing franchise sales, marketing and licensing 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 and licensing 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 and licensees in good faith. From time to time, ServiceMaster and one or more franchisees may become involved in a dispute regarding the franchise relationship, including payment of royalties or fees, location of branches, advertising, purchase of products by franchisees, non-competition covenants, 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 operating segments are subject to various international, federal, state, provincial and local laws and regulations regarding environmental, health and safety matters. Compliance with such laws increases ServiceMaster s operating costs, limits or restricts the services provided by ServiceMaster s operating segments or the methods by which they offer, sell and fulfill those services or conduct their respective businesses, or subjects ServiceMaster and its operating segments to the possibility of regulatory or private actions or proceedings. Terminix and TruGreen are regulated under many federal and state environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), 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, each as amended. ServiceMaster cannot predict the effect of possible future environmental laws on its operations. During 2012, there were no material capital expenditures for environmental control facilities, and there are no material expenditures anticipated for 2013 or 2014 related to such 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.

Table of Contents

Employees

The average number of persons employed by ServiceMaster during 2012 was approximately 20,000. Due to the seasonal nature of some of the Company s businesses, employee headcount can fluctuate during the course of a year, reaching approximately 22,000 during peak service periods.

Properties

The headquarters for Terminix and TruGreen, 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, AmeriSpec, Furniture Medic, Merry Maids and a training facility are located in owned 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 and its 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 used by each of its operating segments and Merry Maids as of December 31, 2012. ServiceMaster believes that these facilities, when considered with the corporate headquarters, call center facility, offices, training facilities and warehouse described above, are suitable and adequate to support the current needs of its business.

Operating Company	Owned Facilities	Leased Facilities
Terminix	20	410
TruGreen	36	249
American Home Shield	1	4
ServiceMaster Clean		7
Merry Maids		77

Legal Proceedings

In the ordinary course of conducting business activities, the Company and its subsidiaries become involved in judicial, administrative and regulatory proceedings involving both private parties and governmental authorities. These proceedings include insured and uninsured matters that are brought on an individual, collective, representative and class action basis, or other proceedings involving regulatory, employment, general and commercial liability, automobile liability, wage and hour, environmental and other matters. The Company has entered into settlement agreements in certain cases, including with respect to putative collective and class actions, which are subject to court or other approvals. If one or more of the Company s settlements are not finally approved, the Company could have additional or different exposure, which could be material. At this time, the Company does not expect any of these proceedings to have a material effect on its reputation, business, financial position, results of operations or cash flows; however, the Company can give no assurance that the results of any such proceedings will not materially affect its reputation, business, financial position, results of operations and cash flows.

Table of Contents

MANAGEMENT

Directors

Our board of directors (the Board) is comprised of two members. Biographical information for each director follows, including information regarding the qualifications, skills and attributes that led the Board to conclude that the directors should continue serving as directors.

Name	Age	Principal Occupation	Director Since
Kenneth A. Giuriceo	39	Financial Officer, Clayton, Dubilier & Rice, LLC	2007
David H. Wasserman	46	Financial Officer, Clayton, Dubilier & Rice, LLC	2007

Kenneth A. Giuriceo has served as one of our directors since July 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 currently serves on the boards of directors of Emergency Medical Services Corporation and David s Bridal, Inc. and formerly served on the board of directors of Sally Beauty Holdings, Inc. He received an M.B.A. from Harvard Business School and a B.S. from Boston College. Mr. Giuriceo s extensive knowledge of the capital markets and his experience with other consumer oriented service businesses give him beneficial insight into our capital and liquidity needs, in addition to our challenges, opportunities and operations and qualify him to serve on our board of directors.

David H. Wasserman has served as one of our directors since July 2007. Mr. Wasserman joined CD&R in 1998. Prior to joining CD&R, Mr. Wasserman worked in the principal investment area at Goldman, Sachs & Co. and as a management consultant at both Monitor Company and Fidelity Capital. Mr. Wasserman currently serves on the boards of directors of Univar Inc., Hertz Global Holdings, Inc. and Culligan Ltd. and formerly served on the boards of directors of Covansys Corporation, Kinko s, Inc. and ICO Global Communications (Holdings) Limited. He received an M.B.A from Harvard Business School and a B.A. from Amherst College. Mr. Wasserman s extensive knowledge of the capital markets, experience as a management consultant and experience as a director of other consumer oriented service businesses with nationwide locations that are similar to our business structure give him beneficial insight into our capital and liquidity needs, in addition to our challenges, opportunities and operations and qualify him to serve on our board of directors.

Executive Officers of ServiceMaster

The names and ages of the executive officers of ServiceMaster as of April 15, 2013, together with certain biographical information, are as follows:

Name	Age	Present Positions	First Became an Executive Officer
John Krenicki, Jr.	50	Interim Chief Executive Officer	2013
R. David Alexander	56	President, TruGreen	2012

Mark J. Barry	51	President & Chief Operating Officer, American Home Shield	2012
Thomas J. Coba	56	President, ServiceMaster Clean, Merry Maids, Furniture Medic & AmeriSpec	2011
Larry T. Pruitt	60	Interim President, Terminix	2013
Linda A. Goodspeed	51	Senior Vice President & Chief Information Officer	2012
David W. Martin	48	Senior Vice President, Interim Chief Financial Officer and Chief Accounting Officer	2007
Greerson G. McMullen	50	Senior Vice President, General Counsel, Government Affairs & Secretary	2007
Jed L. Norden	62	Senior Vice President Human Resources	2008

John Krenicki, Jr. became our Interim Chief Executive Officer on April 12, 2013 and has also served as the Chairman of the board of directors of Holdings since January 2013. Mr. Krenicki joined Clayton, Dubilier & Rice, LLC, as a Senior Operating Partner in January 2013, after 29 years with General Electric Company (GE). Mr. Krenicki currently serves as Chairman of the Board of Directors of Wilsonart International Holdings LLC. From 2005 until 2008, Mr. Krenicki served as the President and Chief Executive Officer of GE Energy and in 2008 he became a Vice Chairman of GE, serving in such capacity until his resignation from GE in 2012. His responsibilities at GE included (among other roles) oversight of GE s Oil & Gas, Power and Water, and Energy Management businesses. While with GE, Mr. Krenicki also served as a member of GE s Corporate Executive Council and the GE Capital Board of Directors. GE is not an affiliate of the Company or of Holdings. Mr. Krenicki received an M.S. in Management from Purdue University and a B.S. in Mechanical Engineering from the University of Connecticut.

Table of Contents

R. David Alexander, Jr. has served as President of TruGreen since December 2012. From April 2009 to January 2012, Mr. Alexander served as the President and Chief Executive Officer of Citi Trends, Inc. Mr. Alexander served as President and Chief Operating Officer of Citi Trends, Inc. from December 2008 to April 2009. In 2008, Mr. Alexander was a consultant with APAX Partners, a private equity firm. He received a B.B.A from East Tennessee State University.

On August 31, 2006, Portrait Corporation of America, Inc. (PCA), which operates photography studios in Walmart U.S. stores, for which Mr. Alexander served as Chief Executive Officer from 2005 to 2007, filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Mr. Alexander continued to serve as Chief Executive Officer of PCA until its sale to CPI Corp. in 2007.

Mark J. Barry has served as President and Chief Operating Officer of American Home Shield since August 2012. From April 2011 to February 2012, Mr. Barry served as President, Automation and Controls Solutions and from March 2010 to April 2011, served as President, Global Security Products, UTC Fire & Safety, both business units within United Technologies Corporation. From February 2008 to March 2010, Mr. Barry served as President of GE Security Americas, a division of General Electric Company, before it was acquired by United Technologies Corporation in 2010. He received a B.B.A. in management from Georgia State University.

Thomas J. Coba has served as President of ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec since November 2011. From 2004 until November 2011, Mr. Coba was Chief Operations Officer of Subway Restaurants, a global restaurant brand and the operating company of Franchise World Headquarters, LLC. He received a B.S. from Tufts University.

Linda A. Goodspeed has served as Senior Vice President and Chief Information Officer of ServiceMaster since October 2011. From 2008 to September 2011, Ms. Goodspeed served as Vice President, Information Systems and Chief Information Officer for Nissan North America, Inc., a subsidiary of Nissan Motor Company, a global manufacturer of vehicles. From 2001 to 2008, Ms. Goodspeed served as Executive Vice President at Lennox International, Inc., a global manufacturer of air conditioning, heating and commercial refrigeration equipment. She received an M.B.A. from the University of Michigan and a B.S.M.E. from Michigan State University.

David W. Martin has served as our Interim Chief Financial Officer since November 2012. He also served as our Interim Chief Financial Officer from April 2011 to August 2011. Mr. Martin has served as Senior Vice President since November 2007 and when not serving in the role of Interim Chief Financial Officer has served as Controller of ServiceMaster since November 2007. Mr. Martin has served as Chief Accounting Officer of ServiceMaster since November 2010. He received a B.S. in accounting from Christian Brothers University.

Greerson G. McMullen has served as ServiceMaster s Senior Vice President and General Counsel since August 2007 and as Secretary of ServiceMaster since November 2007. Mr. McMullen has held the Government Affairs title since March 2010. He received a J.D. from the University of Virginia and a B.S.F.S. from Georgetown University.

Jed L. Norden has served as Senior Vice President Human Resources of ServiceMaster since June 2008. From January 2004 until May 2008, Mr. Norden worked at Retail Ventures, Inc., a footwear and fashion retailer, where he served as Executive Vice President and Chief Administrative Officer; Executive Vice President, Human

91

Table of Contents

Resources, Real Estate, Information Technology, Logistics and Construction; and Executive Vice President, Human Resources. He received a B.S. in business administration from Central Michigan University.

Larry T. Pruitt has served as Interim President of Terminix since March 2013. Mr. Pruitt joined the Company in 1986 and has served in various leadership capacities in Terminix, including branch manager, region vice president, division vice president and most recently as vice president of operations where his responsibilities include overseeing Terminix company owned businesses in the U. S., Mexico, Honduras and the U. S. Virgin Islands. He received a B.A. from the University of South Carolina.

Corporate Governance

Board Composition

Under our amended and restated by-laws, the Board will consist of two directors, which number may be modified from time to time by resolution of the Board, but in no event may the number of directors be less than one. Any vacancies or newly created directorships may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, or by a sole remaining director. Any such vacancy or newly created directorship may also be filled at any time by vote of the stockholders. Each director (whenever elected) shall hold office until his or her successor has been duly elected and qualified, or until his or her earlier death, resignation or removal. The Board 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 any committees, including an audit committee because the Company is not a listed issuer under SEC rules and is not required to have such.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section describes the material elements of our 2012 executive compensation program and the principles underlying our executive compensation policies and decisions. In addition, in this section we provide information regarding the compensation paid to each individual who served in the capacity as principal executive officer (CEO) or principal financial officer (CFO) during 2012 and the three most highly compensated executive officers (other than the CEO and CFO) who were serving as such as of the end of our most recent fiscal year (collectively referred to as our Named Executive Officers (NEOs)).

Highlights

- The leadership of the Company continued to undergo significant change during 2012 and 2013. In 2012, Mr. David Crawford (former president of AHS) retired, Messrs. Roger Cregg (former CFO) and Thomas Brackett (former president of TruGreen) resigned and Messrs. Mark Barry (president of AHS) and David Alexander (president of TruGreen). were hired. Additionally, Mr. David Martin, our Senior Vice President and Chief Accounting Officer, assumed the position of Interim CFO beginning on November 27, 2012 upon Mr. Cregg s departure. Effective March 29, 2013, Charles M. Fallon, the former President of Terminix, resigned from the Company. Effective April 12, 2013, Harry J. Mullany III, our former CEO, resigned from the Company.

- Base salaries of the NEOs who were with the Company prior to November 2011 were increased by percentages ranging from 3.0 to 10.0 percent in 2012 to recognize individual performance and to better align base salary levels with competitive pay levels for similar positions in the marketplace. Messrs. Coba and Fallon did not receive a salary increase during 2012 as they were both hired in the fourth quarter of 2011. Mr. Barry did not receive an increase as he was hired in August 2012. The salaries for NEOs hired after November 1, 2011 and during 2012 were set at competitive levels needed to attract these executives to the Company.

- The financial performance of the Company did not meet expectations for 2012, primarily due to the performance of TruGreen. Based on this performance, the Company did not achieve the corporate consolidated performance goal under the Annual Bonus Plan (ABP). The Board determined, however, that since the Company s consolidated performance, excluding TruGreen, showed growth in both revenue and profit, there would be a payout, equal to 65 percent of target for those associates with a corporate consolidated component to the ABP excluding the CEO. The Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance, and therefore the Board elected to pay him a bonus for 2012 equal to 50 percent of his target.

- The Board in its discretion may from time to time award special bonuses outside of the ABP to executive officers to incentivize specific performance goals and business objectives. In connection with his hire in 2011, the Board made Mr. Fallon eligible for discretionary bonuses for 2012 and 2013. These bonuses are intended to incentivize and foster greater collaboration and synergy between the Terminix and TruGreen businesses. These discretionary bonus opportunities provide for a payment of up to $100,000 for 2012 and $100,000 for 2013. For 2012, the Board approved the payment of a discretionary bonus of $100,000 to Mr. Fallon.

- As part of our strategy to align interests between our executive officers and stockholders, and in recognition of his hire into the senior management team, Mr. Barry purchased shares of Holdings common stock and simultaneously was granted options under the MSIP to acquire additional shares in the future. He was also awarded RSUs to provide additional value and alignment with Holdings stockholders.

Messrs. Mullany and Coba elected to purchase additional shares of Holdings in March and November 2012, respectively, consistent with the opportunity provided in their offers of employment. As a result of their additional stock purchases and in accordance with their offers of employment they also received options under the MSIP to acquire additional shares in the future.

Table of Contents

Objectives of Our Compensation Program

Our compensation plans for executive officers (including the NEOs) are designed to:

- Attract, motivate and retain highly qualified executives;

- Reward successful performance by the executives and the Company by linking a significant portion of compensation to financial and business results;

- Align our executives long-term interests with those of Holdings stockholders through meaningful share ownership; and

- Appropriately balance long and short-term incentive compensation so that short-term performance is not emphasized at the expense of long-term value creation.

Elements of Executive Compensation, including for NEOs

To meet these objectives, our executive compensation program consists of the following:

- Base salary, which is intended to attract and retain highly qualified executives and to recognize individual performance by the executive;

- Annual cash incentive, which is intended to motivate the executive to achieve short-term Company (and, where applicable, business unit) performance goals and special bonus awards from time to time;

- Stock, RSUs and stock options to motivate executives to achieve long-term performance goals and to provide equity ownership of Holdings to our executives to ensure goal alignment with Holdings stockholders; and

- Employee benefits, including retirement benefits, perquisites, new hire bonus, relocation benefits and commuting benefits, which are intended to attract and retain qualified executives by ensuring that our benefit programs are competitive.

Each of these elements, discussed in more detail below, plays an integral role in our balancing of executive rewards over short and long-term periods and our ability to attract and retain key executives. We believe the design of our executive compensation program creates alignment between performance achieved and compensation awarded, and motivates achievement of both annual goals and sustainable long-term performance.

Determination of Executive Compensation

Pay Decision Process

The Company s Board establishes the compensation of our CEO. Historically, in determining the CEO s compensation, the Board considers the following factors: (1) the operating and financial performance of the Company, (2) the competitive market data provided by Towers Watson, our external compensation consultant at the time of the competitive review, as presented to the Board by our Senior Vice President, Human Resources, (3) the Board s assessment of the CEO s individual performance, and (4) prevailing economic conditions. The CEO recommends to our Board compensation for the Company s other executive officers based on his assessment of each executive officer s area of responsibility, individual and business unit performance, overall contribution, the competitive market data provided by Towers Watson and prevailing economic conditions. The Board approves the compensation arrangements for each executive officer.

We believe that our executive compensation program must be attractive to compete in the market for executive talent and must support our growth strategy. As a result of this focus, we rely on competitive pay practices and individual and business performance in determining the compensation of our executives. In making these

Table of Contents

determinations, we also consider historical individual compensation levels, historical company payout levels for annual cash incentives and the current privately held ownership structure of the Company. The executive compensation program and underlying philosophy are reviewed at least annually to determine what, if any, modifications should be considered.

As part of our review of competitive pay practices, we engaged Towers Watson in 2012 to conduct a total market review to determine whether executive officer total compensation opportunities were competitive. The Board approved a new group of 21 peer companies (the Peer Group) that are generally 0.3 to 3.0 times the revenue size of ServiceMaster. These peer companies are generally from the service and retail industries where they have a distributed business model. The Board also considered the growth rates of the companies when selecting this group of companies. We continually review the Peer Group and may from time-to-time adjust the companies comprising the group to better reflect competitors in our industry, companies with similar business models and companies that compete in our labor markets for talent. For 2012, the Peer Group consisted of the following companies:

Peer Group

ABM Industries Incorporated
AutoZone, Inc.
Chemed Corporation
Chico s FAS Inc.
Chipotle Mexican Grill, Inc.
Cintas Corporation
Darden Restaurants, Inc.
DSW Inc.
Ecolab Inc.
Harris Teeter Supermarkets, Inc.
Limited Brands, Inc.
O Reilly Automotive, Inc.
Republic Services, Inc.
Rollins, Inc.
Service Corporation International
Spectrum Brands Holdings, Inc.
Starbucks Corporation
The Scotts Miracle-Gro Company
The Wendy s Company
Urban Outfitters, Inc.
Waste Connections, Inc.

In determining 2012 executive compensation, we relied on the Peer Group data for positions reported in the peer companies respective proxy statements provided by Towers Watson. Competitive market data for positions which were not reported in Peer Group proxy statements was provided by Aon Hewitt and was adjusted to mirror general market merit increases, as identified in market salary increase surveys sponsored by compensation consulting organizations. We then evaluated base pay and annual bonuses for our executives as discussed below. Differences in total compensation generally reflect the tenure, relevant experience, expertise and performance of the individual executive officer within his role. In September 2012, the Board made the decision to change external compensation consultants to Semler Brossy Consulting Group, LLC and they will be advising on 2013 compensation matters.

Base Salary

Base salaries for executive officers are reviewed annually by the Board during our merit review process at the beginning of each year. To determine base salaries for executive officers, we first review market data and target base salaries at the market median of the Peer Group or Aon Hewitt survey data for each respective position. The base salary for each NEO is then determined by adjusting the amount based on the Board s assessment of the NEO s experience relative to industry peers, time in his or her position, individual performance, future potential and leadership qualities. In 2012, when a detailed review was performed prior to salary increases, the base salary of Mr. Mullany was at the median of the Peer Group, the base salary for Mr. Cregg in the position of CFO exceeded the 75th percentile of the Peer Group, and the base salary for Mr. Martin as our Controller was within competitive ranges of the median of the Aon Hewitt surveys. Base salaries were increased for each

NEO who was an employee in April 2012 based on the Board s assessment of the individual s contribution to the sustained success of the Company except for Messrs. Coba and Fallon whose salaries were set at their respective hire dates of November 28, 2011 and December 5, 2011 as part of their hiring. The salary increases for the NEOs who were with the Company for the majority of 2011 ranged from 3.0 percent to 10.0 percent. In determining Mr. Mullany s salary increase in 2012, which was somewhat larger than the normal merit increase, the Board considered and recognized the significant improvement in the performance of the Company during 2011, as well as Mr. Mullany s individual performance. Base salaries for the business unit presidents hired after November 1, 2011 (Messrs. Barry, Coba and

Table of Contents

Fallon) were set at levels that were deemed to be competitive with market segment salaries to recognize the skills and experience of each officer.

The following table sets forth information regarding the 2012 base salaries for our NEOs.

2012 Salary Table

Named Executive Officer	Base Salary as of January 1, 2012	Base Salary as of December 31, 2012	Aggregate Increase %
Harry J. Mullany	$ 1,000,000	$ 1,100,000	10.0%
David W. Martin(1)	$ 300,000	$ 312,000	4.0%
Roger A. Cregg(2)	$ 600,000	$ 618,000	3.0%
Mark J. Barry(3)	N/A	$ 425,000	N/A
Thomas J. Coba(4)	$ 425,000	$ 425,000	0.0%
Charles M. Fallon(4)	$ 500,000	$ 500,000	0.0%

(1) The amount in the table reflects Mr. Martin s base salary in his capacity as our Senior Vice President, Controller and Chief Accounting Officer. During his tenure as interim CFO, Mr. Martin will also receive $10,000 per month in incremental base salary prorated for any partial month of service. During 2012, this incremental base salary totaled $11,000.

(2) Mr. Cregg was no longer employed by the Company as of December 31, 2012. The amount shown reflects his base salary as of his departure date on November 27, 2012.

(3) Mr. Barry was hired during 2012. The base salary shown above was provided for in his offer of employment.

(4) Messrs. Coba and Fallon were hired after November 1, 2011 and were not eligible for salary increases as part of the 2012 annual review of base salaries.

Annual Bonus Plan

The ABP, our annual cash incentive program, is designed to reward the achievement of specific pre-set financial results measured over the fiscal year. Each participant is assigned an annual incentive target expressed as a percentage of base salary. For the NEOs, these targets ranged from 50 percent to 100 percent of base salary. Mr. Martin had been assigned an annual target bonus of 50 percent in his capacity as Senior Vice President, Controller and Chief Accounting Officer of the Company, but was assigned a target bonus of 65 percent during the period he served as Interim CFO. As further compensation for his services as Interim CFO, Mr. Martin was also guaranteed a minimum incremental bonus under the ABP of $50,000 above his calculated bonus as Senior Vice President, Controller and Chief Accounting Officer payable on a pro-rated basis for 2013 while serving as Interim CFO. The actual awards are calculated based on year-end salary, except in the case of Mr. Martin, who s 2012 ABP award was calculated at 50 percent of his salary as Senior Vice President, Controller and Chief Accounting Officer and at 65 percent of his salary as Interim CFO, prorated for the time served in each capacity.

To encourage our executive officers to focus on short-term Company (and, where applicable, business unit) goals and financial performance, incentives under the ABP are based on the performance of the Company with respect to the following measures at both a corporate consolidated and, where applicable, a business unit level:

- Adjusted Operating Performance (AOP), which is calculated by making the following adjustments to operating income: (1) adding back depreciation and amortization related to assets established or re-valued as a result of the Merger; (2) adding back non-cash goodwill and trade name impairments; (3) adding back non-cash stock-based compensation; (4) adding back restructuring charges; (5) adding back management and consulting fees; (6) adding back key executive transition charges; (7) adding back compensation expense resulting from a change in market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting charge in interest and investment income); (8) adding back non-cash impairments for licensed intellectual property, abandonment of internally developed software and real estate not currently in use for operations; (9) adding back certain costs incurred as part of the Company s refinancing activities; (10)

Table of Contents

adding the Company s equity in losses of joint ventures; and (11) adjusting for other normalization items as approved by the Board, which, for 2012, included adjustments related to certain legal and tax reserves at American Home Shield;

- Revenue; and

- Cash Flow, which is calculated by making the following adjustments to AOP: (1) adding back depreciation and amortization (excluding depreciation and amortization related to assets established or re-valued as a result of the Merger); (2) subtracting capital expenditures; and (3) adjusting for the change in net working capital.

These performance measures were selected as the most appropriate measures upon which to determine annual bonuses because they are the primary metrics that management and the Equity Sponsors use to measure the performance of the Company for purposes unrelated to compensation. Additionally, the Board selected these measures to incentivize profitable growth and cash flow generation to meet debt obligations and fund investments for future growth. All of the opportunity for payment under the ABP to our NEOs is based on these performance measures.

Payments under the ABP were also subject to the achievement of a minimum level of performance on the AOP financial measure (AOP Threshold). In order to achieve any payment under the ABP, the AOP Threshold had to be achieved at the corporate consolidated or, where applicable, business unit levels. Although the corporate consolidated AOP Threshold was not achieved for 2012, as discussed further below, the Board elected to use its discretion to pay awards at 65 percent for the corporate components of the ABP, except in the case of Mr. Mullany, whose corporate component was awarded at 50 percent, as the Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance. For executive officers holding positions within corporate headquarters functions, such as the CEO and CFO positions, ABP payments are based 100 percent on overall Company performance. For executive officers in charge of a business unit, payments are based on both Company and business unit performance. The corporate consolidated AOP Threshold and business unit AOP Thresholds applicable to the NEOs are set forth in the table below.

Participating NEO	Performance Measure	AOP Threshold ($ in 000s)	AOP Actual ($ in 000s)
Harry J. Mullany	ServiceMaster AOP	$ 520,103	$ 481,591
David W. Martin			
Mark J. Barry	ServiceMaster AOP	$ 520,103	$ 481,591
	American Home Shield AOP	$ 119,274	$ 137,917
Thomas J. Coba	ServiceMaster AOP	$ 520,103	$ 481,591
	ServiceMaster Clean AOP	$ 62,832	$ 60,922
	Merry Maids AOP	$ 19,325	$ 20,716
Charles M. Fallon	ServiceMaster AOP	$ 520,103	$ 481,591
	Terminix AOP	$ 267,512	$ 282,706

Performance targets are established by the Board toward the beginning of each year and are based on expected performance in accordance with the Company s and, where applicable, the business unit s approved business plan for the year. In the event the Company and, where applicable, the business unit achieve the performance targets, payout under the ABP would be 100 percent of a specified percentage of the executive s base salary. In the event the Company and, where applicable, the business unit do not achieve the performance targets, a lesser bonus may be earned if the Company and, where applicable, the business unit meet or exceed the threshold amounts for the performance targets, which are generally equal to the previous year s results achieved for the applicable performance measure. In the event the Company exceeds the performance targets, the amount of the bonus will increase accordingly. There is no maximum payout under the ABP on the theory that we pay for performance and our executives should receive additional compensation when we exceed our performance goals. The components and weightings of the performance measures are reviewed and determined annually by the Board to reflect Company strategy.

Table of Contents

The tables below provide information regarding the 2012 ABP for our participating NEOs, including the performance goals, the weight assigned to each performance goal, and the payout as a percentage of the target bonus if the threshold or target performance goal is met. The performance goals and relative weightings reflect the Board s objective of ensuring that a substantial amount of each NEO s total compensation is tied to Company and, where applicable, business unit performance.

2012 ABP Weighting, Threshold and Target Performance Goals

Participating NEO(1)	Organizational Weighting	Performance Weighting	Threshold ($ in 000s)	Target ($ in 000s)(2)	% of Target Performance for Threshold Payout	% Payout With Threshold Performance
Harry J. Mullany	100% ServiceMaster	50% ServiceMaster AOP	$ 520,103	$ 548,000	94.9%	69.5%
David W. Martin		30% ServiceMaster Revenue	$ 3,196,841	$ 3,400,000	94.0%	64.1%
		20% ServiceMaster Cash Flow	$ 517,389	$ 546,063	94.7%	68.5%
Mark J. Barry	20% ServiceMaster	20% ServiceMaster AOP	$ 520,103	$ 548,000	94.9%	69.5%
	80% American Home Shield	35% American Home Shield AOP	$ 119,274	$ 137,015	87.1%	22.3%
		35% American Home Shield Revenue	$ 686,737	$ 765,251	89.7%	38.4%
		10% American Home Shield Cash Flow	$ 108,600	$ 130,325	83.3%	0.0%
Thomas J. Coba	20% ServiceMaster	20% ServiceMaster AOP	$ 520,103	$ 548,000	94.9%	69.5%
	40% ServiceMaster Clean	17.5% ServiceMaster Clean AOP	$ 62,832	$ 68,118	92.2%	53.4%
		17.5% ServiceMaster Clean Revenue	$ 138,691	$ 153,882	90.1%	40.8%
		5% ServiceMaster Clean Cash Flow	$ 59,956	$ 67,380	89.0%	33.9%
	40% Merry Maids	17.5% Merry Maids AOP	$ 19,325	$ 19,821	97.5%	85.0%
		17.5% Merry Maids Revenue	$ 71,955	$ 73,800	97.5%	85.0%
		5% Merry Maids Cash Flow	$ 17,166	$ 17,606	97.5%	85.0%
Charles M. Fallon	20% ServiceMaster	20% ServiceMaster AOP	$ 520,103	$ 548,000	94.9%	69.5%
	80% Terminix	35% Terminix AOP	$ 267,512	$ 273,200	97.9%	87.5%
		35% Terminix Revenue	$ 1,193,075	$ 1,242,579	96.0%	76.1%
		10% Terminix Cash Flow	$ 265,227	$ 280,593	94.5%	67.1%

(1) Due to Mr. Cregg s voluntary termination from the Company, he was not eligible for a 2012 ABP payment.

(2) In 2012, the ABP included an additional feature whereby each NEO could receive target payout under their revenue performance goals for less than target achievement. The lower revenue targets were developed based on the revenue needed from each business unit to deliver consolidated revenue 5.0% higher than 2011 levels. In the event any business unit achieved these lower revenue targets, the revenue component of their ABP achievement would be based on the lower target. If the lower targets were not achieved, the revenue component of their ABP achievement would be based on the original revenue targets shown above. The lower revenue targets for the NEOs were as follows: ServiceMaster $3,366,166, American Home Shield $757,636, ServiceMaster Clean $152,351, Merry Maids $73,066, Terminix $1,230,214.

The % of Target Performance for Threshold Payout is equal to threshold performance (which is generally equal to the prior year s actual performance) divided by the current year s target goal. The payout levels for performance above threshold are based on a 6:1 ratio for every one percent of achievement above threshold performance levels, the plan pays out six additional percentage points of the targeted payout. The Board believes the 6:1 ratio to be an effective motivator to improve over the prior year s results. The 2012 ABP target payout opportunity for each participating NEO (see table below) was based on our review of Peer Group and survey data and the importance of the NEO s position relative to the overall financial success of the Company. The following table sets forth information regarding the 2012 performance under the ABP, including the percentage of

Table of Contents

performance target attained and the percentage of target bonus earned. Due to his resignation, Mr. Cregg was not eligible for a payment under the ABP.

The Company did not achieve the AOP Threshold at the corporate consolidated level, resulting in a calculated bonus payout of zero. However, the Board considered that the primary reason for not achieving the AOP Threshold was the unexpected performance of TruGreen. The Board determined that, since the Company s consolidated performance, excluding TruGreen showed growth in both revenue (5.2 percent) and AOP (5.9 percent), there would be a payout equal to 65 percent of target for those associates with a corporate consolidated component to the ABP, except for Mr. Mullany, whose corporate component was awarded at 50 percent, as the Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance. All NEOs have a corporate consolidated component and benefited from the discretionary payout. Due to the Board s discretion awarding a corporate component of 65 percent under the ABP (50 percent in the case of Mr. Mullany), these amounts are included in the Bonus column of Summary Compensation Table.

2012 ABP Performance

Participating NEO	Target % of Salary	% of Service Master Target AOP Attained	% of Service Master Target Revenue Attained	% of Service Master Target Cash Flow Attained	Business Unit	% of Business Unit Target AOP Attained	% of Business Unit Target Revenue Attained	% of Business Unit Target Cash Flow Attained	% of Target Bonus Awarded(1)
Harry J. Mullany	100.0%	87.9%	94.2%	85.5%	Corporate	N/A	N/A	N/A	50.0%
David W. Martin(2)	50.0%	87.9%	94.2%	85.5%	Corporate	N/A	N/A	N/A	65.0%
Mark J. Barry	65.0%	87.9%	N/A	N/A	American Home Shield	100.7%	94.2%	103.9%	84.5%
Thomas J. Coba	65.0%	87.9%	N/A	N/A	Service Master Clean	89.4%	90.6%	84.2%	6.5%
					Merry Maids	104.5%	112.3%	111.4%	67.6%
Charles M. Fallon	65.0%	87.9%	N/A	N/A	Terminix	103.5%	102.9%	108.3%	111.3%

(1) As discussed above, the Company did not meet the minimum performance levels required to achieve a payment under the ABP at the corporate consolidated level. However, the Board determined that, since the Company s consolidated performance, excluding TruGreen, showed growth in both revenue and AOP, there would be a payout equal to 65 percent of target for those associates with a corporate consolidated component to the ABP excluding the CEO. The Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance, and therefore the Board elected to pay him a bonus for 2012 equal to 50 percent of his target.

(2) During the year, Mr. Martin was appointed to the role of interim CFO, as of November 27, 2012. In connection with such appointment he received, in addition to his base salary, an additional $10,000 per month of base salary. Mr. Martin also received an increase in his bonus target under the 2012 ABP to 65 percent from 50 percent of his base salary during his tenure in this interim role.

2012 ABP Payments

Participating NEO

	% of Salary Paid at Target Performance		Base Salary	Actual % of Target Awarded(1)		Total Bonus Award
Harry J. Mullany	100.0%	$	1,100,000	50.0%	$	550,000
David W. Martin(2)	50.0%	$	312,000	65.0%	$	109,157
Mark J. Barry(3)	65.0%	$	425,000	84.5%	$	85,475
Thomas J. Coba	65.0%	$	425,000	74.1%	$	204,576
Charles M. Fallon	65.0%	$	500,000	111.3%	$	361,641

Table of Contents

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(1) As discussed above, the Company did not meet the minimum performance levels required to achieve a payment under the ABP at the corporate consolidated level. However, the Board determined that, since the Company s consolidated performance, excluding TruGreen, showed growth in both revenue and profit, there would be a payout equal to 65 percent of target for those associates with a corporate consolidated component to the ABP, excluding the CEO. The Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance, and therefore the Board elected to pay him a bonus for 2012 equal to 50 percent of his target.

(2) During the year, Mr. Martin was appointed to the role of Interim CFO, as of November 27, 2012. In connection with such appointment he received, in addition to his base salary, an additional $10,000 per month of base salary. Mr. Martin also received an increase in his bonus target under the 2012 ABP to 65 percent from 50 percent of his base salary during his tenure in this interim role.

(3) Mr. Barry joined the Company during 2012 and as such received a pro-rated bonus award based on the number of days employed by the Company during 2012.

Discretionary Bonuses

Pursuant to the terms of his offer letter, Mr. Fallon is eligible to receive discretionary bonuses for 2012 and 2013. These bonuses are intended to incentivize and foster greater collaboration and synergy between the Terminix and TruGreen businesses. These discretionary bonuses provide for a payment of up to $100,000 for 2012 and $100,000 for 2013 to Mr. Fallon, with the actual amount earned determined in the sole discretion of the Board. This bonus payout, if any, will be made at the same time as payments under the ABP for 2012 and 2013. Additionally, Mr. Fallon may elect to receive a stock option award in lieu of cash, with up to 15,000 options to be issuable for 2012 and up to 10,000 options to be issuable for 2013. The number of options may be prorated based on the Board s assessment of his performance.

For 2012, the Board approved the payment of a discretionary bonus of $100,000 for Mr. Fallon. The amount of this bonus payment was recommended to the Board by the CEO with the ultimate amount determined by the Board based on its evaluation of Mr. Fallon s leadership and collaboration with the leadership team of TruGreen. The Board determined that Mr. Fallon had effectively collaborated on the exchange of best practices and the transfer of talent between the organizations.

Sign-On Bonuses

The Company has included sign-on bonuses for newly hired executives as a part of the new hire compensation offer. The sign-on bonus is used to provide a compensation offer that differentiates our offer of employment (for executives who frequently have other available opportunities) and may be needed to compensate the executives for the lost value of existing compensation arrangements at the executives prior employers. In 2012, the Company paid a $325,000 cash sign-on bonus to Mr. Barry as part of his new hire offer. The sign-on bonus for Mr. Barry is subject to repayment provisions if he terminates employment from the Company prior to the first anniversary of his hire date.

Long-Term Incentive Plan

Our long-term equity incentive plan is designed to retain key executives and to align the interests of our executives with the achievement of sustainable long-term growth and performance. For 2012, our NEOs were participants under the MSIP.

MSIP

The MSIP provides certain key associates (including all of our NEOs) with the opportunity (1) to invest in shares of our common stock via actual share purchases and (2) to receive RSUs and options to purchase shares of our common stock. Executives employed with the Company in 2007 had the opportunity to purchase shares with cash or by means of deferred share units (DSUs), which were sold to key associates through the notional

Table of Contents

purchases of DSUs using associates deferred compensation balances. No further DSUs have been sold or issued since 2007. Mr. Martin is the only currently serving NEO who had the opportunity to allocate a portion of his eligible deferred compensation to purchase DSUs. Each DSU represents a right to receive a share of common stock in the future and was fully vested when acquired.

For each share of common stock or DSU purchased by an NEO, ServiceMaster granted such NEO up to four matching options to purchase shares of our common stock, except in the case of Mr. Mullany, where ServiceMaster granted five matching options for each share purchased. Mr. Mullany also received Superperformance Options equal to one-tenth the number of additional matching options granted. Subject to Mr. Mullany s continued employment through the vesting date, Superperformance Options will vest (1) before a public offering if the fair market value of the common stock, as determined by Holdings Compensation Committee, is at least $25 per share based on the most recent valuation, and (2) after a public offering if the closing price of the common stock on the principal exchange on which it is traded equals or exceeds $25 per share for 20 consecutive trading days. In addition, since 2010, we have also awarded RSUs to both newly hired executives and longer tenured NEOs. Each RSU represents a right to receive a share of common stock in the future, if and when the RSU vests and vesting is subject to the holder s continued employment. As discussed below, pursuant to the terms of his offer letter, Mr. Mullany received matching RSUs with an aggregate fair market value equal to one-half the aggregate purchase price of the shares purchased. In addition, other NEOs received RSU grants as described below. Unlike equity awards at publicly traded companies, these investment opportunities are not available to the general public and present an employment reward opportunity as well as subjecting the executive officer to liquidity risks and transfer restrictions. Generally, our policy has been to provide this opportunity to invest and receive equity grants at one time only, either shortly after the closing of the Merger or upon hire or promotion, if later. We do not typically supplement the NEOs stock awards with subsequent annual equity awards. We could, however, decide, from time to time, to grant additional equity awards to certain key associates, including our NEOs, in order to recognize outstanding performance, enhance retention or otherwise as Holdings Compensation Committee may determine is in the best interest of the Company. The MSIP investment opportunities provided to any executive officer or the executive officers as a group are entirely at the discretion of Holdings Compensation Committee.

We believe that the opportunity to purchase shares and to receive options to purchase shares of Holdings stock and grants of RSUs encourages our executive officers to focus on our long-term performance, thereby aligning their interests with the interests of Holdings stockholders. The purchase of shares under the MSIP allows executive officers to have a stake in the Company s performance by putting their own financial resources at risk. Additionally, through stock option and RSU grants, the executive officers are encouraged to focus on sustained increases in stockholder value. Specifically, we believe the granting of stock options and RSUs assists the Company to:

- Enhance the link between the creation of stockholder value and long-term executive incentive compensation;
- Maintain competitive levels of total compensation; and
- Provide value for key executives enabling the Company to retain key leaders.

Consistent with our historical practices, Mr. Barry was granted 50,000 RSUs and was provided an opportunity to purchase up to an aggregate amount of $1,000,000 of shares (with a minimum obligation of $500,000 of shares), with four matching options granted for each share purchased. Mr. Barry purchased approximately $500,000 of Holdings shares of common stock, resulting in Mr. Barry receiving 33,333 shares and 133,332 matching options.

Pursuant to the terms of his employment agreement, in 2011, Mr. Mullany made an initial purchase of $1,900,000 in the Company and was granted matching options at a rate of five options per share purchased, Superperformance Options equal to one-tenth the number of additional matching options granted and matching RSUs equal to one-half the aggregate purchase price of the shares purchased. Mr. Mullany was also provided the opportunity to elect to purchase up to $1,100,000 of additional shares on the first and second anniversaries of his hire date (February 22, 2012 and February 22, 2013). Mr. Mullany has received five matching stock options for each initial and additional share purchased, RSUs valued at one-half of the aggregate purchase price of the initial and

Table of Contents

additional shares purchased, and Superperformance Options equal to one-tenth of the number of matching options granted. Based on Mr. Mullany s initial equity investment, he acquired 172,727 shares of our common stock and was granted 86,364 RSUs, 863,635 Matching Options, and 86,364 Superperformance Options. Mr. Mullany elected to purchase 14,285 shares of common stock in the first quarter of 2012 and was granted 7,143 RSUs, 71,425 Matching Options and 7,413 Superperformance Options in connection with this additional purchase. Mr. Mullany did not elect to purchase any additional common stock on February 22, 2013.

Pursuant to the terms of his 2011 offer letter, Mr. Coba was granted 60,000 RSUs and was provided an opportunity to purchase up to an aggregate amount of $1,000,000 of shares and receive four matching options for each share purchased for a period of up to one year from his hire date, but no later than the date of a public offering. In 2011, Mr. Coba purchased 27,272 shares, at a purchase price of $11 per share, and received 109,088 matching options, leaving him with a remaining opportunity to purchase shares valued up to $700,000. In 2012, Mr. Coba purchased an additional $300,000 in shares (resulting in Mr. Coba receiving 20,000 shares and 80,000 matching options), while the remaining opportunity expired on his anniversary date.

Shares previously purchased by Mr. Cregg were repurchased by Holdings in 2012 subsequent to his departure from the Company, consistent with the MSIP and the stock subscription agreement entered into at the time of purchase.

Please see the Grants of Plan-Based Awards Table (2012) for information regarding the vesting terms of the equity awards.

Retirement Benefits

Associates, including the NEOs, are generally eligible to participate in the ServiceMaster Profit Sharing and Retirement Plan, as amended and restated effective as of January 1, 2006, as it may be further amended from time to time (the PSRP). The PSRP is a tax-qualified 401(k) defined contribution plan under which we may make discretionary matching contributions. Historically, we have provided for a matching contribution in the PSRP where associates receive a dollar-for-dollar match on the first 1 percent of their contributions, and then a $0.50-per-dollar match on the next 2 percent to 6 percent contributed.

We also maintain the ServiceMaster Deferred Compensation Plan, as amended and restated effective as of January 1, 2005, as it may be further amended from time to time (the DCP), which is a non-qualified deferred compensation plan designed to afford certain highly compensated associates (including the NEOs, executive officers and certain other associates) the opportunity to defer additional amounts of compensation on a pre-tax basis. All deferred amounts under the DCP are subject to earnings or losses based on the investments selected by the individual participants. We believe that provision of the DCP is important as a recruitment and retention tool as many, if not all, of the companies with which ServiceMaster competes for executive talent provide a similar plan to their senior employees and the cost to ServiceMaster of providing this benefit is minimal. Under the DCP, participants may be provided with discretionary matching contributions, but since 2007 we have not elected to do so. No earnings in the DCP are credited at above market levels.

Employee Benefits and Executive Perquisites

We offer a variety of health and welfare programs to all eligible employees, including the NEOs. The NEOs are eligible for the same health and welfare benefit programs on the same basis as the rest of the Company s employees, including medical and dental care coverage, life insurance coverage and short and long-term disability.

The Company limits the use of perquisites as a method of compensation and provides executive officers with only those perquisites that we believe are reasonable and consistent with our compensation goal of enabling the Company to attract and retain superior executives for key positions. The perquisites provided to our NEOs are memberships in social and professional clubs and, for Messrs Mullany and Fallon, commuting expenses. Expenses associated with relocation of newly hired executives (including income tax gross-ups on taxable relocation expense reimbursements) are paid to certain executives pursuant to our relocation policy and are based on standard market practices for executive level relocations.

Table of Contents

Mr. Mullany is also provided with personal use of Company aircraft and certain spousal travel. We have established a policy regarding our CEO s personal use of the Company aircraft (the Aircraft Policy). The Aircraft Policy provides that the CEO shall reimburse the Company for personal use of the Company aircraft exceeding 50 hours annually. Any amount so reimbursed to the Company shall be applied to reduce the executive s taxable income arising from the personal use. In addition to the personal usage allowed under the Aircraft Policy, Mr. Mullany was also eligible to receive up to $85,000 in 2012 to reimburse commuting expenses. Mr. Mullany may utilize commercial flights, private charter service or the Company aircraft for his commuting travel. To the extent Mr. Mullany utilizes commercial flights or a private charter, the actual amount paid by the Company on his behalf is applied toward his maximum commuting benefit of $85,000 per annum. If Mr. Mullany utilizes the Company aircraft for commuting purposes, the amount applied toward his annual commuting benefit is calculated under the income imputation rules established by the IRS for personal use of Company aircraft. These rules require the cost of each flight to be estimated by applying published IRS per mile rates based on the size of the aircraft to the total miles flown. Mr. Mullany did not exceed his $85,000 maximum commuting benefit in 2012, calculated in accordance with IRS income imputation rules. This method of calculation has been affirmed by the Board.

Employment Arrangements

The Company generally provides an executive with an offer letter prior to the time an executive joins the Company. The offer letter generally describes the basic terms of the executive s employment, including his or her start date, starting salary, ABP bonus target, special bonuses (if any), relocation benefits, severance benefits (if any), signing bonus (if any) and equity awards granted in connection with the commencement of his or her employment. The terms of the executive s employment are thereafter based on sustained good performance rather than contractual terms, and the Company s policies will apply as warranted. During 2012, the Company and Mr. Barry executed an employment letter memorializing the terms of his offer of employment.

Under certain circumstances, the Company recognizes that special arrangements with respect to an executive s employment may be necessary or desirable. In 2011, the Company entered into an employment agreement with Mr. Mullany setting forth the terms of his employment as CEO of ServiceMaster and a severance agreement with Mr. Fallon setting forth certain severance benefits to be received by Mr. Fallon upon a qualifying termination of employment. Please see the narrative following the Grants of Plan-Based Awards table and the Potential Payments Upon Termination or Change in Control section for a description of the agreements with Messrs. Mullany and Fallon.

Post-Termination Compensation

All of the NEOs, except Mr. Mullany and Mr. Fallon, as discussed elsewhere, are covered under ServiceMaster s standard severance policy or practice as in effect at the time employment is terminated. The terms of these post-termination arrangements are described in detail below under Potential Payments Upon Termination or Change in Control .

2013 Award of Performance RSUs

On February 25, 2013, the Compensation Committee of Holdings approved a form of an employee performance restricted stock unit agreement to be used when awards of Performance Restricted Stock Units (P RSUs) are made under the MSIP and granted 401,506 P-RSU awards to certain officers and associates of ServiceMaster, including grants to the following NEOs in the following amounts: Mr. Mullany, 42,307

P-RSUs; Mr. Martin, 13,461 P-RSUs; Mr. Barry, 19,230 P-RSUs; Mr. Coba, 19,230 P-RSUs; and Mr. Fallon, 19,230 P-RSUs. To the extent ServiceMaster s internal financial performance target for fiscal 2013 (the Performance Target) is met or exceeded, the P RSUs will vest in three equal installments on the first three anniversaries of the grant date. If the Performance Target is not met, the P RSUs will be forfeited. If the Performance Target is exceeded, the number of P RSUs granted to each associate, including the NEOs, will be increased in accordance with the adjustment table adopted by Holdings Compensation Committee. Any increased number of P RSUs will vest in accordance with the same schedule described above.

Table of Contents

2012 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(3)	Total ($)
Harry J. Mullany	2012	1,075,000	550,000(4)	100,002	539,455	0	289,760	2,554,217
Chief Executive Officer	2011	856,482	2,422,662	950,004	3,614,120	427,338	161,140	8,431,746
David W. Martin	2012	320,000(5)	109,157(4)	0	0	0	8,973	438,130
SVP, Interim Chief Financial Officer & Chief Accounting Officer	2011	367,800	50,000	0	72,400	162,216	257	652,673
Roger A. Cregg	2012	562,000(6)	0	0	0	0	27,967	589,967
Former Chief Financial Officer	2011	206,250	171,918	825,000	1,316,362	83,626	23,135	2,626,291
Mark J. Barry President & COO American Home Shield	2012	156,424(7)	338,148(4),(8)	750,000	950,657	72,327(4)	22,358	2,289,914
Thomas J. Coba	2012	425,000	35,913(4)	0	570,400	168,663(4)	144,952	1,344,928
President ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec	2011	40,246	400,000	660,000	585,803	0	24	1,686,073
Charles M. Fallon	2012	500,000	142,250(4),(9)	0	0	319,391(4)	59,837	1,021,478
President Terminix	2011	37,879	0	759,990	2,148,000	0	19	2,945,888

(1) The amounts in this column reflect the aggregate grant date fair value of RSUs awarded. The assumptions used in the valuation of RSU awards are disclosed in the Stock-Based Compensation footnote in the audited financial statements for the fiscal year ended December 31, 2012 included elsewhere in this prospectus.

(2) The amounts in this column reflect the aggregate grant date fair value of stock options awarded, including the Superperformance Options awarded to Mr. Mullany. The assumptions used in the valuation of option awards are disclosed in the Stock-Based Compensation footnote to the audited financial statements for the fiscal year ended December 31, 2012 included elsewhere in this prospectus. In addition, for the Superperformance Options, the likelihood of achieving the market condition required for vesting was included in the determination of the grant date fair value of the options. Under FASB Accounting Standards Codification Topic 718, the vesting condition related to the Superperformance Options is considered a market condition and not a performance condition. Accordingly, there is not grant date fair value in excess of the amount reflected in the table above that could be calculated and disclosed based on achievement of the market condition.

(3) Amounts in this column for 2012 are detailed in the All Other Compensation (2012) table below.

(4) As discussed above, the Company did not meet the minimum performance levels required to achieve a payment under the ABP at the corporate consolidated level. However, the Board determined that, since the Company s consolidated performance, excluding TruGreen, showed growth in both revenue and profit, there would be a payout equal to 65 percent of target for those associates with a corporate consolidated component to the ABP excluding the CEO. The Board determined that as CEO, Mr. Mullany had ultimate responsibility for TruGreen s performance, and therefore the Board elected to pay him a bonus for 2012 equal to 50 percent of his target. The bonus awarded to each NEO based on a 65 percent payment for the corporate consolidated component of the ABP is presented in the Bonus column in the following amounts: Mr. Martin $109,157, Mr. Barry $13,148, Mr. Coba $35,913, Mr. Fallon $42,250. The bonus awarded to Mr. Mullany equal to 50 percent of his target bonus was $550,000 and is presented in the Bonus column. Amounts earned by the NEOs under the ABP in addition to the payments related to the corporate consolidated performance goals are presented in the Non-Equity Incentive Plan Compensation column.

(5) Mr. Martin s salary includes an additional $11,000 allowance as additional salary for his service as the Interim CFO during 2012.

(6) The salary presented for Mr. Cregg is the actual salary paid through his departure date of November 27, 2012.

(7) This salary figure reflects the actual partial year salary paid during 2012 from Mr. Barry s hiring date of August 20, 2012 through the end of the year.

(8) Includes a sign-on bonus of $325,000 paid at the commencement of Mr. Barry s service with the Company.

(9) Includes a $100,000 bonus awarded to Mr. Fallon based on his collaboration with leadership of the TruGreen business and the development of synergies with the TruGreen business.

All Other Compensation (2012)

Named Executive Officer	Perquisites and Other Personal Benefits ($)	Company Paid Life Insurance Premiums ($)	Company Contributions to PSRP ($)(1)	Separation Payment ($)	Tax Payment(s) ($)(2)	Total ($)
Harry J. Mullany	280,787(3)	223	8,750	0	0	289,760
David W. Martin	0	223	8,750	0	0	8,973
Roger A. Cregg	0	202	8,750	19,015(4)	0	27,967
Mark J. Barry	17,138(5)	82	708	0	4,430	22,358
Thomas J. Coba	118,725(6)	223	8,750	0	17,254	144,952
Charles M. Fallon	39,380(7)	223	7,917	0	12,317	59,837

(1) The PSRP is the Company s tax-qualified retirement savings plan.

(2) Tax payments related to relocation expenses were paid to Messrs. Barry, Coba and Fallon.

Table of Contents

(3) Mr. Mullany s perquisites include personal use of the corporate aircraft ($233,169), reimbursement of personal air transportation costs ($22,940), personal ground transportation costs ($8,128), Company provided membership fees ($1,550) for one business and social dining club and Company provided auto allowance ($15,000). The incremental cost of the use of the Company aircraft included in the table above 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 based on occupied seat hours. Fixed costs, which do not change based on usage, such as pilot salaries, depreciation and the cost of ongoing maintenance agreements for storage and upkeep of the plane are excluded. The compensation for personal use of the Company aircraft calculated based on the variable operating costs incurred is typically greater than the amount calculated under the income imputation rules established by the IRS for personal use of company aircraft. The variable operating costs for the Company plane, on a per seat hour basis, increased from $536 in 2011 to $1,157 in 2012 due to higher than customary repairs and maintenance costs incurred in 2012. This caused a corresponding increase in the amount of income attributed to our CEO for his personal use of the Company plane. The aggregate cost of other perquisites and personal benefits is measured on the basis of the actual cost to the Company.

(4) This amount represents accrued vacation paid upon Mr. Cregg s resignation from the Company.

(5) The amount listed reflects Company-paid relocation expenses ($17,138). The aggregate cost of perquisites and personal benefits is measured on the basis of the actual cost to the Company.

(6) Mr. Coba s perquisites include personal use of the corporate aircraft ($3,701, calculated based on the incremental cost method set forth in footnote 3 above), Company-paid relocation expenses ($99,116), reimbursement of expenses related to the continuation of his benefits with his previous employer through COBRA ($4,508) and an incentive paid to Mr. Coba in connection with his relocation for the expedited sale of his home ($11,400, amount calculated based on a percentage of the sale transaction). Except with respect to the aircraft usage, the aggregate cost of perquisites and personal benefits is measured on the basis of the actual cost to the Company.

(7) Mr. Fallon s perquisites include Company-paid relocation expenses ($38,061) related to his hiring and reimbursement of expenses related to the continuation of his benefits with his previous employer through COBRA ($1,319). The aggregate cost of perquisites and personal benefits is measured on the basis of the actual cost to the Company.

Grants of Plan-Based Awards (2012)

The amounts listed in the table below in the column entitled Estimated Future Payouts Under Non-Equity Incentive Plan Awards represent the potential 2012 earnings under the ABP, which is a non-equity incentive plan. The threshold amount is the minimum earned amount if threshold performance is attained for all performance measures. There is no maximum in this plan. Mr. Cregg was not eligible for a payout under the 2012 ABP as he resigned from the Company prior to payment of the ABP payout on March 15, 2013. Additional information is discussed under the heading, Annual Bonus Plan, in the Compensation Discussion and Analysis section above.

	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	**Estimated Future Payouts Under Equity Incentive Plan Awards**	**All Other Stock Awards:**	**All Other Option Awards:**	**Exercise or Base Price of Option**	**Grant Date Fair Value of Stock**

Named Executive Officer	Grant Date	Approval Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)(1)	Maximum (#)	Number of Shares of Stock (#)(2)	Number of Securities Underlying Options (#)(3)	Awards ($/Sh)(4)	and Option Awards(5)
Harry J. Mullany	N/A	N/A	744,385	1,100,000	None							
	3/21/2012	1/23/2012							7,143	0	0	100,002
	3/21/2012	1/23/2012							0	71,425	$ 14.00	494,118
	3/21/2012	1/23/2012				N/A	7,143	N/A	0	0	$ 14.00	45,337
David W. Martin	N/A	N/A	113,644	167,934	None							
Roger A. Cregg	N/A	N/A	292,746	432,600	None							
Mark J. Barry	N/A	N/A	97,114	276,250	None							
	8/20/2012	7/27/2012							50,000	0	0	750,000
	9/28/2012	9/28/2012							0	133,332	$ 15.00	950,657
Thomas J. Coba	N/A	N/A	182,525	276,250	None							
	9/28/2012	9/28/2012							0	80,000	$ 15.00	570,400
Charles M. Fallon	N/A	N/A	253,068	325,000	None							

(1) Represents Superperformance Options granted in conjunction with the purchase of shares by Mr. Mullany. These options will vest (i) before a public offering if the fair market value of the common stock, as determined by the Holdings Compensation Committee, is at least $25 per share, and (ii) after a public offering if the closing price of the common stock on the principle exchange on which it is traded equals or exceeds $25 per share for 20 consecutive trading days.

(2) Represents RSU awards granted in conjunction with the purchase of shares by Mr. Mullany and as a component of the new hire offer to Mr. Barry. These units will vest at a rate of one-third per year on each of the first three anniversaries of their grant dates.

(3) Represents the number of stock options granted in conjunction with the purchase of shares by Messrs. Mullany and Coba and as a component of the new hire offer to Mr. Barry. Options listed in this column become exercisable on the basis of passage of time and continued employment over a four-year period, with one-fourth becoming exercisable on each anniversary following the date of grant.

(4) The exercise price was based on the fair market value of the options on the date of grant, as established by Holdings Compensation Committee.

(5) Represents the aggregate grant date fair value of RSU and stock option awards detailed in the prior columns. The assumptions used in the valuation of both RSU and stock option awards are disclosed in the Stock-Based Compensation footnote in the audited financial statements for the fiscal year ended

Table of Contents

December 31, 2012 included elsewhere in this prospectus. In addition, for the Superperformance Options, the likelihood of achieving the market condition required for vesting was included in the determination of the grant date fair value of the options.

Employment Arrangements

Employment Agreement with Mr. Mullany

On February 22, 2011, ServiceMaster announced that Harry J. Mullany III had been elected to serve as CEO of ServiceMaster, effective March 31, 2011. Mr. Mullany s employment with ServiceMaster commenced on February 22, 2011 pursuant to an employment agreement with Holdings, dated February 16, 2011. Mr. Mullany s employment agreement is a for a term of three years, commencing on February 22, 2011, subject to automatic one-year renewals thereafter, absent termination notice by either party. Under his employment agreement, Mr. Mullany received an initial annual base salary of $1 million, and a target annual incentive bonus opportunity of 100 percent of his base salary. Additionally, for the 2011 performance year, Mr. Mullany was guaranteed a minimum annual bonus of $500,000 and received a signing bonus of $1.75 million.

Mr. Mullany s employment agreement also entitled him to an automobile allowance of $15,000 per year and commuting expenses up to $85,000 for 2011 and 2012. Mr. Mullany s employment agreement also provides for severance benefits as described below under Potential Payments Upon Termination or Change in Control. A failure by Holdings to renew the agreement will constitute a termination of Mr. Mullany s employment without cause for purposes of his severance benefits.

As noted in the Compensation Discussion and Analysis, in connection with his commencement of employment, Mr. Mullany purchased $1.9 million of common stock of Holdings at a price of $11 per share. At his discretion, Mr. Mullany had the opportunity to purchase up to an aggregate of $1.1 million of additional common stock of Holdings at its then-current fair market value over two years following his commencement of employment. In connection with his initial and subsequent equity investments, Mr. Mullany has been awarded RSUs and nonqualified stock options under the MSIP. He has received RSUs worth half the aggregate fair market value, as determined under the MSIP, of his initial and subsequent investments, and these RSUs will vest at a rate of one-third per year on each of the first three anniversaries of their grant dates. Additionally, for each share of common stock he purchased in his initial and subsequent investments, he received nonqualified stock options to purchase five shares at an exercise price equal to the fair market value of a share of common stock at the time of the option grant (Matching Options). The Matching Options vest at a rate of one-fourth per year on each of the first four anniversaries of the grant date. Finally, for each ten Matching Options that Mr. Mullany was awarded, he has been awarded one Superperformance Option with an exercise price equal to the fair market value of a share of common stock at the time of the option grant. Based on Mr. Mullany s initial equity investment, he acquired 172,727 shares of Holdings common stock and was granted 86,364 RSUs, 863,635 Matching Options, and 86,364 Superperformance Options. In the first quarter of 2012, Mr. Mullany elected to purchase 14,285 shares of common stock at $14 per share and was granted 7,143 RSUs, 71,425 Matching Options and 7,143 Superperformance Options. Mr. Mullany did not elect to purchase any additional common stock on February 22, 2013.

Should Mr. Mullany s employment terminate for cause, all vested and unvested options will be canceled, along with all unvested RSUs. In the case of Mr. Mullany s termination other than for cause and other than by reason of his death or disability, unvested options and RSUs will be canceled. Upon termination by reason of death or disability, Mr. Mullany s unvested Matching Options will fully vest, and any unvested Superperformance Options will be canceled. In addition, if the death or disability occurs prior to his RSUs having fully vested, a pro rata portion of the RSUs that would have vested in the year of termination will vest. Mr. Mullany or his estate will retain the right to exercise any vested options for up to 12 months following termination for death, disability, or retirement, and for 90 days following termination for all other reasons (except for termination for cause).

Compensation Arrangements for Messrs. Barry and Fallon

At the time Mr. Barry was hired, ServiceMaster provided him with an offer letter that set forth his initial base salary and initial annual target bonus opportunity under our ABP, with the actual payouts under the ABP subject to the satisfaction of performance targets established by the Board each year. Base salary, target annual bonus and all other compensation are subject to approval each year by the Board. In addition, the offer letter

Table of Contents

provided that he would be offered a grant of stock options to be made in connection with his purchase of Holdings common stock. Mr. Barry received such grant of options in 2012 as disclosed in the 2012 Summary Compensation Table. Mr. Barry also received 50,000 RSUs as a part of his offer of employment. Additionally, a cash sign-on bonus of $325,000 was paid to Mr. Barry.

Pursuant to the terms of his offer letter, Mr. Fallon is eligible to receive discretionary bonuses for 2012 and 2013. These bonuses are intended to incentivize and foster greater collaboration and synergy between the Terminix and TruGreen businesses. These discretionary bonuses provide for a payment of up to $100,000 for 2012 and $100,000 for 2013 to Mr. Fallon, with the actual amount earned determined in the sole discretion of the Board. This bonus payout, if any, will be made at the same time as payments under the ABP for 2012 and 2013. Additionally, Mr. Fallon may elect to receive a stock option award in lieu of cash, with up to 15,000 options to be issuable for 2012 and up to 10,000 options to be issuable for 2013. The number of options may be prorated based on the Board s assessment of his performance. For 2012, the Board approved the payment of a discretionary bonus of $100,000 for Mr. Fallon. In addition, the Company entered into a severance agreement with Mr. Fallon upon his hire, the details of which are described below under Potential Payments Upon Termination or Change in Control.

MSIP Awards

As noted in the Compensation Discussion and Analysis, during 2012, Mr. Mullany received matching options, RSUs and Superperformance Options in connection with his purchase of additional shares of Holdings common stock, Mr. Coba received matching options in connection with his purchase of additional shares of Holdings common stock and Mr. Barry received RSUs as part of his new hire grant and received matching options in connection with his purchase of shares of Holdings common stock. All stock options and RSUs currently held by the NEOs are shown in the Outstanding Equity Awards at Fiscal Year-End (2012) table below.

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 a period of four years from the date of grant, subject to continued employment through each applicable vesting date. Mr. Mullany s Superperformance Options will vest (1) before a public offering if the fair market value of the common stock, as determined by Holdings Compensation Committee, is at least $25 per share based on the most recent valuation, and (2) after a public offering if the closing price of the common stock on the principal exchange on which it is traded equals or exceeds $25 per share for 20 consecutive trading days, subject in both cases to his continued employment through the vesting date. 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. The MSIP and an RSU award agreement govern each RSU award and provide, among other things, that the RSUs vest in equal annual installments over a period of three years from the date of grant, subject to continued employment through each applicable vesting date. Holders of RSUs have no rights as stockholders, including voting rights. Holders of RSUs are, however, entitled to dividend equivalents if a dividend is declared on our common stock. For more information on the MSIP, see Compensation Discussion and Analysis Long-Term Incentive Plan above. See Potential Payments Upon Termination or Change in Control below for information regarding the cancellation or acceleration of vesting of stock options and RSUs upon certain terminations of employment or a change in control.

Outstanding Equity Awards at Fiscal Year-End (2012)

		Option Awards					Stock Awards	
Named Executive Officer	**Grant Date**	**Number of Securities Underlying Unexercised**	**Number of Securities Underlying Unexercised**	**Equity Incentive Plan Awards: Number of**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Units of Stock**	**Market Value of Units of Stock That**

		Options (#) Exercisable(1)	**Options (#) Unexercisable(1)**	**Securities Underlying Unexercised Unearned Options (#)(2)**			**That Have Not Vested (#)(3)**	**Have Not Vested ($)(4)**
Harry J. Mullany	2/22/2011	215,909	647,726		$ 11.00	2/22/2021		
	2/22/2011	0	0	86,364	$ 11.00	2/22/2021		
	2/22/2011						57,576	863,640
	3/21/2012	0	71,425		$ 14.00	3/21/2022		
	3/21/2012	0	0	7,143	$ 14.00	3/21/2022		
	3/21/2012						7,143	107,145
David W. Martin	12/19/2007	155,000	0		$ 10.00	12/19/2017		
	9/24/2010						13,333	199,995
	9/27/2011	5,000	15,000		$ 11.00	9/27/2021		
Roger A. Cregg	9/27/2011	90,909	0		$ 11.00	2/27/2013		
Mark J. Barry	8/20/2012						50,000	750,000
	9/28/2012	0	133,332		$ 15.00	9/28/2022		
Thomas J. Coba	11/28/2011						40,000	600,000
	12/16/2011	27,272	81,816		$ 11.00	12/16/2021		
	9/28/2012	0	80,000		$ 15.00	9/28/2022		
Charles M. Fallon	12/5/2011						46,060	690,900
	12/16/2011	100,000	300,000		$ 11.00	12/16/2021		

Table of Contents

(1) Represents options to purchase shares of Holdings common stock granted under the MSIP. Options become exercisable on the basis of passage of time and continued employment over a four-year period, with one-fourth becoming exercisable on each anniversary following the grant date. The options granted to Mr. Martin in 2011 were granted in relation to his service as Interim CFO during 2011.

(2) Represents Superperformance Options to purchase shares of Holdings common stock granted under the MSIP. These options will vest before a public offering if the fair market value of the common stock as determined by the Holdings Compensation Committee is at least $25 per share, and after a public offering if the closing price of the common stock on the principle exchange on which it is traded equals or exceeds $25 per share for 20 consecutive trading days.

(3) Represents RSUs to be settled in Holdings common stock granted under the MSIP. RSUs become vested and will settle on the basis of passage of time and continued employment over a three-year period, with one-third becoming vested on each anniversary following the grant date.

(4) Fair market value as of December 31, 2012 of $15 per share was determined by Holdings Compensation Committee.

Option Exercises and Stock Vested (2012)

	Option Awards		Stock Awards	
Named Executive Officer	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Harry J. Mullany	0	0	28,788(1)	403,032(2)
David W. Martin	0	0	13,333(1)	199,995(2)
Roger A. Cregg	0	0	25,000(1)	375,000(2)
Mark J. Barry	0	0	0	0
Thomas J. Coba	0	0	20,000(1)	300,000(2)
Charles M. Fallon	0	0	23,030(1)	345,450(2)

(1) Reflects the vesting of RSUs in 2012. Messrs. Mullany, Martin, Cregg, Coba and Fallon elected to surrender a portion of the shares that settled upon vesting of the RSUs to satisfy tax withholding obligations, resulting in net shares of 21,174, 9,808, 18,388, 14,710, and 16,939, respectively.

(2) Calculated based on the fair market value of Holdings common stock at the time of vesting $14 per share at the time of Mr. Mullany s vesting and $15 per share at the time of vesting for Messrs. Martin, Cregg, Coba and Fallon.

Nonqualified Deferred Compensation Plans

The table below sets forth information regarding the NEOs deferred compensation.

Nonqualified Deferred Compensation (2012)

Named Executive Officer	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)(1)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last FYE($)
Harry J. Mullany	0	0	0	0	0
David W. Martin	0	0	560	0	8,400(2)
Roger A. Cregg	0	0	0	0	0
Mark J. Barry	0	0	0	0	0
Thomas J. Coba	0	0	0	0	0
Charles M. Fallon	25,000(3)	0	1,380	0	26,380

Table of Contents

(1) The amounts in this column do not represent above market or preferential earnings, and therefore are not included in the Summary Compensation Table. For Mr. Martin, the amounts in this column represent the increase in the value of his DSUs in 2012.

(2) Mr. Martin elected to allocate a portion of his eligible deferred compensation to invest in 560 DSUs in 2007. The amounts in this column for Mr. Martin represent the value of these DSUs.

(3) Amount shown for Mr. Fallon is included in the Summary Compensation Table as 2012 Salary.

Deferred Compensation Programs

The DCP is a nonqualified deferred compensation plan designed to afford certain highly compensated associates the opportunity to defer not less than 2 percent and not more than 75 percent of their compensation on a pre-tax basis. Deferred amounts are credited with earnings or losses based on the rate of return of investments selected by the participants in the DCP. The plan provides for a range of mutual fund investments identical to the company s 401(k) plan. ServiceMaster, in its sole discretion, may make matching contributions, based on the amounts that are deferred by associates pursuant to the DCP. ServiceMaster did not make matching contributions for 2012. Distributions are paid at the time elected by the participant in accordance with the DCP.

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

Participants in the 2007 offering under the MSIP were permitted to allocate eligible deferred compensation under the DCP to purchase DSUs, which represent the right to receive a share of our common stock on the first to occur of (1) the date that is 30 days following participant s termination of employment, (2) a fixed date selected by the participant or (3) a change in control of ServiceMaster. DSUs were acquired for $10 each. Mr. Martin is the only currently serving NEO who had the opportunity to allocate a portion of his eligible deferred compensation to purchase DSUs.

Potential Payments Upon Termination or Change in Control

Severance Benefits for NEOs

Unless modified by separate 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 to our NEOs. Our obligations will consist of those obligations accrued at the date of termination, including payment of earned salary, vacation, reimbursement of expenses and obligations that may otherwise be payable in the event of death or disability. For this purpose, cause means a material breach by the executive of the duties and responsibilities of the executive (other than as a result of incapacity due to physical or mental illness) that is demonstrably willful and deliberate on the executive s part, committed in bad faith or without reasonable belief that such breach is in the best interests of the Company and not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; 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 the Company.

Mr. Mullany

Mr. Mullany s employment agreement provides for severance benefits that if the Company were to terminate Mr. Mullany s employment without cause or Mr. Mullany terminates his employment for good reason, he would receive: (1) continued payment of his monthly base salary for 24 months following the date of termination; (2) continuation of health and certain other benefits for two years; (3) the annual bonus earned for the fiscal year immediately preceding the date of termination to the extent not previously paid; (4) a prorated bonus through his date of termination; and (5) an amount equal to two times his average annual bonus paid or payable to Mr. Mullany

Table of Contents

with respect to the two fiscal years immediately preceding the date of termination or, if Mr. Mullany has not received an annual bonus for either or both of those fiscal years immediately preceding the date of termination, such average to be calculated using his target annual bonus for such year or years, as applicable. Payments of Mr. Mullany s severance benefits are subject to Mr. Mullany s signing a general release of claims. Mr. Mullany is also subject to covenants not to compete, solicit nor disclose confidential information for two years following termination. Upon Mr. Mullany s retirement, death or disability, the Company shall pay to Mr. Mullany (or his executors or legal representatives) the annual bonus earned for the fiscal year immediately preceding the date of termination to the extent not previously paid; plus a prorated bonus through his date of termination.

In connection with Mr. Mullany s resignation, Holdings entered into a Resignation Agreement and General Release (the Resignation Agreement) with Mr. Mullany, dated April 12, 2013. Under the Resignation Agreement, Mr. Mullany s resignation is treated as a termination without Cause (as defined in his employment agreement). Pursuant to his employment agreement, Mr. Mullany will receive the following severance pay and termination benefits: (1) aggregate cash severance payments of $3,850,000, to be paid in substantially equal monthly installments over 24 months; (2) an additional payment of $211,500, representing a pro-rated annual cash bonus for fiscal 2013; (3) monthly payments for up to 18 months for partial reimbursement of COBRA premiums; and (4) payment of $83,333 in lieu of notice as required under the Employment Agreement. Mr. Mullany will also be paid his accrued benefits under the Company s benefit plans in which he participates in accordance with the terms of those plans, including payment of accrued but unused vacation time. As of April 12, 2013, Mr. Mullany held 231,519 shares of common stock of Holdings. The terms of the Resignation Agreement state that Holdings will repurchase those shares from Mr. Mullany, within a stipulated time period, at the fair market value, as determined pursuant to the MSIP, of such shares as of April 12, 2013. Pursuant to the Resignation Agreement, Mr. Mullany has provided the Company and its affiliates and related parties with a general release of claims and has agreed to be subject to customary restrictive covenants regarding non-competition, non-solicitation, non-disparagement and confidentiality.

Mr. Fallon

The Company entered into a severance agreement with Mr. Fallon upon his hire that provides that if the Company were to terminate Mr. Fallon s employment without cause or Mr. Fallon terminates his employment for good reason, he would receive: (1) continued payment of his monthly base salary for 12 months following the date of termination; (2) the annual bonus earned for the fiscal year immediately preceding the date of termination to the extent not previously paid; (3) if his date of termination is after June 30 of a fiscal year, a prorated bonus through his date of termination; and (4) an amount equal to the annual bonus paid or payable to Mr. Fallon with respect to the fiscal year immediately preceding the date of termination or, if Mr. Fallon has not received an annual bonus for the fiscal year immediately preceding the date of termination, his target annual bonus for such year. Upon Mr. Fallon s retirement, death or disability, the Company shall pay to Mr. Fallon (or his executors or legal representatives) the annual bonus earned for the fiscal year immediately preceding the date of termination to the extent not previously paid; plus if his date of termination is after June 30 of a fiscal year, a prorated bonus through his date of termination.

Severance Arrangements with Other NEOs

Other than the employment agreement with Mr. Mullany and the severance agreement with Mr. Fallon, ServiceMaster does not generally offer severance agreements or change in control agreements to newly hired executive officers; however, the Board periodically reassesses the need to offer these types of arrangements as part of maintaining competitive executive compensation packages. As officers who report directly to our CEO, Messrs. Martin, Barry and Coba are eligible to receive severance if terminated without cause (as defined in Potential Payments Upon Termination or Change in Control Severance Benefits for NEOs). Under our practice in effect as of December 31, 2012, in the event of such termination, an amount equal to one times base salary plus target bonus for the year of termination is paid out generally in monthly installments over a period of 12-24 months, and, if termination occurs after June 30 of a year, a prorated portion of the bonus earned under the ABP, would be payable to the terminated executive at the same time as annual bonuses are paid to other executives for the applicable year, subject to execution of a general release and observing covenants not to compete, solicit, nor disclose confidential information.

MSIP

If an executive s employment is terminated by the Company for cause before there is a public offering of Holdings common shares, all options (vested and unvested) and unvested RSUs 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 is terminated by the Company without cause before there is a public offering of Holdings common shares, all unvested options and RSUs immediately terminate and Holdings and certain Equity Sponsors have the right to repurchase shares owned by the executive at fair market value as of the termination date. 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 executive s shares at fair market value as of the termination date. Upon such a termination, the executive may exercise vested options before the first to occur of (1) the three month anniversary of the executive s termination of employment or (2) the expiration of the options normal term, after which date such options are cancelled. The executive s right to require Holdings to repurchase shares at the then fair market value does not extend to shares obtained through the exercise of options.

Table of Contents

If an executive voluntarily terminates his employment for any reason before there is a public offering of Holdings common shares, all unvested options and RSUs immediately terminate and Holdings and certain Equity Sponsors have the right to purchase shares owned by the executive at fair market value as of the termination date. Upon such a termination, the executive may exercise vested options before the first to occur of (1) the three month anniversary of the executive s termination of employment (one-year anniversary in the case of retirement) and (2) the expiration of the options normal term, after which date such options are cancelled, unless modified by Holdings Compensation Committee. 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 purchased shares at fair market value as of his or her retirement date. The executive s right to require Holdings to repurchase shares at fair market value does not extend to shares obtained through the exercise of options. During 2012, shares were repurchased from Mr. Cregg subsequent to his departure representing an aggregate repurchase of $1,639,455 in value of Holdings common stock.

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 and the executive (or his/her heirs) may require Holdings to repurchase the executive s shares at fair market value as of the date of death or determination of disability. Upon such termination, unvested options will vest and all options will remain exercisable until the first to occur of (1) the one-year anniversary of the executive s date of termination or (2) the expiration of the options normal term, after which date such options are cancelled. RSUs shall vest as to the number of RSUs that would have vested on the next anniversary of the grant date (assuming the executive s employment had continued through such anniversary) multiplied by a fraction, the numerator of which is the number of days elapsed since (x) the grant date, if the termination due to death or disability occurs on or prior to the first anniversary of the grant date, or (y) the most recent prior anniversary of the grant date, if the special termination (i.e., death or disability) occurs after the first anniversary of the grant date, and the denominator of which was 366 for 2012.

The stock option agreements provide that the vesting of options to purchase shares of Holdings common stock will be accelerated if Holdings experiences a change in control (as defined in the MSIP), unless Holdings Board of Directors reasonably determines in good faith that options with substantially equivalent or better terms are substituted for the existing options. Upon a change in control, all RSUs shall become vested. A change in control means:

- an acquisition by a person or group (other than the Equity Sponsors or their affiliates) of 50 percent or more of the voting power of Holdings voting stock (other than an acquisition by Holdings or by a benefit plan of Holdings);
- a change in a majority of Holdings Board (other than by action of the incumbent Board members);
- a merger, consolidation or similar transaction as a result of which Holdings stockholders do not own more than 50 percent of the voting power of the surviving company; or
- a sale, transfer or other disposition of all or substantially all of Holdings assets to an unaffiliated third party.

Notwithstanding the forgoing, an initial public offering of Holdings common stock shall not constitute a change in control.

Holdings Board of Directors also has the discretion to accelerate the vesting of options or RSUs at any time and from time to time.

Payment Upon Death, Disability, Qualifying Termination, or Change in Control as of December 31, 2012

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, 2012 in the event of death, disability, qualifying termination or change in control. The amounts shown do not include payments of

Table of Contents

compensation that have previously been deferred as disclosed under the Nonqualified Deferred Compensation (2012) table. Except as otherwise noted below, the amounts shown assume termination or change in control effective as of December 31, 2012 and a fair market value of Holdings common stock on December 31, 2012 of $15 per share, as determined by Holdings Compensation Committee. Since Mr. Cregg resigned from the Company as of November 27, 2012, all of his compensation for 2012 is reflected in the Summary Compensation Table above.

Potential Payments Upon Death, Disability, Qualifying Termination or Change in Control (2012)

Named Executive Officer	Event	Base Salary and Target Bonus ($)(1)	Payment of Current Year Bonus ($)(2)	Acceleration of Vesting of Stock Options ($)(3)	Acceleration of Vesting of RSUs ($)(3)	Health & Welfare ($)	Total Payments ($)
Harry J. Mullany	Death	0	1,100,000	2,662,329	397,095	0	4,159,424
	Disability	0	550,000	2,662,329	397,095	0	3,609,424
	Qualifying Termination	4,400,000	550,000	0	0	21,734	4,971,734
	Change in Control	0	0	3,014,928	970,785	0	3,985,713
David W. Martin	Death	0	167,934	60,000	53,550	0	281,484
	Disability	0	109,157	60,000	53,550	0	222,707
	Qualifying Termination	468,000	109,157	0	0	0	577,157
	Change in Control	0	0	60,000	199,995	0	259,995
Mark J. Barry	Death	0	101,141	0	90,840	0	191,981
	Disability	0	85,475	0	90,840	0	176,315
	Qualifying Termination	701,250	85,475	0	0	0	786,725
	Change in Control	0	0	0	750,000	0	750,000
Thomas J. Coba	Death	0	276,250	327,264	27,045	0	630,559
	Disability	0	204,576	327,264	27,045	0	558,885
	Qualifying Termination	701,250	204,576	0	0	0	905,826
	Change in Control	0	0	327,264	600,000	0	927,264
Charles M. Fallon	Death	0	325,000	1,200,000	24,540	0	1,549,540
	Disability	0	361,641	1,200,000	24,540	0	1,586,181
	Qualifying Termination	825,000	361,641	0	0	0	1,186,641
	Change in Control	0	0	1,200,000	690,900	0	1,890,900

(1) Calculations are based upon the terms previously discussed under Severance Benefits for NEOs.

(2) Because termination is assumed to occur on the last day of the performance period for the 2012 ABP, amounts shown for disability and qualifying termination are the same as those reflected in the 2012 ABP Payments Table. The amounts are payable upon an involuntary termination without cause (and for Messrs. Mullany and Fallon upon voluntary termination for good reason). The amounts shown for death reflect ABP payments at the NEOs target award percentage prorated for the number of days worked.

(3) As noted above in the section entitled MSIP, upon a change in control, death or disability, all or portions of unvested stock options and RSUs become vested and exercisable. The values in the table were based on a value of $15 per share at December 31, 2012, and option exercise prices of $10, $11 and $14, as applicable.

Compensation Risk Assessment

The Board assessed the risks associated with ServiceMaster s compensation and practices to evaluate whether they create risks that are likely to have a material adverse effect on ServiceMaster. Based on its assessment, the Board concluded that our compensation policies and practices do not create incentives to take risks that are likely to have a material adverse effect on ServiceMaster. We believe we have allocated our compensation among base salary, short-term incentives and long-term equity in such a way as to not encourage excessive risk taking.

Director Compensation

Our directors are principals of CD&R, which is party to a consulting agreement with the Company and Holdings, pursuant to which CD&R provides Holdings and its subsidiaries with financial advisory and management consulting services in exchange for a fee. For a discussion of this agreement and other agreements between the Company, Holdings and the Equity Sponsors, see Certain Relationships and Related Party Transactions. The Company does not currently separately compensate our directors for their service on our Board.

Board Interlocks and Insider Participation

No member of the Company s Board was at any time during 2012 an officer or employee of the Company or any of our subsidiaries nor is any such person a former officer of the Company or any of our subsidiaries. The

Table of Contents

CEO recommends to the Board the compensation for the Company s other executive officers based on his assessment of each executive officer s individual responsibility, individual and business unit performance, overall contribution, the competitive market data provided by Towers Watson and Aon Hewitt (as presented to the Board by our Senior Vice President of Human Resources) and prevailing economic conditions. Our directors are principals of CD&R. See Certain Relationships and Related Party Transactions for a discussion of agreements between ServiceMaster, Holdings and the Equity Sponsors and their affiliates.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners and Management

CDRSVM Holding, Inc., whose address is 860 Ridge Lake Boulevard, Memphis, Tennessee 38120, owns all of the outstanding common stock of ServiceMaster. CDRSVM Investment Holding, Inc. owns all of the outstanding common stock of CDRSVM Holding, Inc. Holdings owns all the outstanding common stock of CDRSVM Investment Holding, Inc. Investment funds associated with or designated by existing 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 April 15, 2013 with respect to the ownership of the common stock of Holdings by:

- each person known to own beneficially more than five percent of the common stock of Holdings;
- each of our directors;
- each of the current and former executive officers named in the Summary Compensation Table appearing under Executive Compensation Compensation Discussion and Analysis 2012 Summary Compensation Table ; and
- all of our current executive officers and directors as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of regulations of the 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. Addresses for certain Equity Sponsors are set forth in the footnotes to the table.

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	65.76
StepStone Group LLC managed funds(2)	19,840,774	14.40
JPMorgan Chase Funding Inc.(3)	10,000,000	7.26
Ridgemont Partners Secondary Fund I, L.P.(4)	7,500,000	5.44
Kenneth A. Giuriceo(5)	0	0
David H. Wasserman(5)	0	0
Harry J. Mullany III(6)	681,192	*
David W. Martin(6)	219,616	*
Roger A. Cregg	0	0
Mark J. Barry	33,333	*
Thomas J. Coba	89,254	*
Charles M. Fallon	216,939	*
All current directors and executive officers as a group (11 persons)(6)(7)	1,104,161	*

* Less than one percent.

Table of Contents

(1) Represents the following shares: (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 two-person board of directors. Donald J. Gogel and Kevin J. Conway, as the directors of each 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 Clayton, Dubilier & Rice, Fund VII, L.P., Clayton Dubilier & Rice Fund VII (Co-Investment), L.P., CDR SVM Co-Investor L.P., CDR SVM Co-Investor No. 2 L.P. and CD&R Parallel Fund VII, L.P. Such persons expressly disclaim such beneficial ownership.

Investment and voting decisions with respect to shares held by each of Clayton, Dubilier & Rice, Fund VII, L.P., Clayton Dubilier & Rice Fund VII (Co-Investment), L.P., CDR SVM Co-Investor L.P., CDR SVM Co-Investor No. 2 L.P. and CD&R Parallel Fund VII, L.P. are made by an investment committee of limited partners of CD&R Associates VII, L.P., currently consisting of more than ten individuals (the Investment Committee). All members of the Investment Committee disclaim beneficial ownership of the shares shown as beneficially owned by the funds associated with Clayton, Dubilier & Rice, LLC.

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), 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), 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., CD&R Parallel Fund Associates VII, Ltd., 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 Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands.

(2) Represents shares held by 2007 Co-Investment Portfolio L.P., StepStone Capital Partners II Onshore, L.P., StepStone Capital Partners II Cayman Holding, L.P., and StepStone Co-Investment (ServiceMaster) LLC. The address for each of 2007 Co-Investment Portfolio L.P., StepStone Capital Partners II Onshore, L.P., StepStone Capital Partners II Cayman Holding, L.P., and StepStone Co-Investment (ServiceMaster) LLC, is c/o StepStone Group LLC, 4350 LaJolla Village Drive, Suite 800, San Diego, CA 92122.

(3) JPMorgan Chase Funding Inc. is an affiliate of JPMorgan Chase & Co. The address for JPMorgan Chase Funding Inc. is 270 Park Avenue, New York, NY 10017.

(4) Represents shares held by Ridgemont Partners Secondary Fund I, L.P. The address for Ridgemont Partners Secondary Fund I, L.P. is c/o Ridgemont Partners Management, LLC, 150 North College Street, Suite 2500, Charlotte, NC 28202. Ridgemont Secondary Management I, L.P. is the sole general partner of Ridgemont Partners Secondary Fund I, L.P. and may therefore be deemed to be the beneficial owner of the shares, and its address is c/o Ridgemont Partners Management, LLC, 150 North College Street, Suite 2500, Charlotte, NC 28202. Ridgemont Secondary Management I, LLC is the sole general partner of Ridgemont Secondary Management I, L.P. and may therefore also be deemed to be the beneficial owner of the shares, and its address

Table of Contents

is c/o Ridgemont Partners Management, LLC, 150 North College Street, Suite 2500, Charlotte, NC 28202. A majority of the following members of Ridgemont Secondary Management I, LLC have the authority to vote or dispose of the shares held by Ridgemont Partners Secondary Fund I, L.P.: J. Travis Hain, Walker L. Poole, Robert H. Sheridan, III, Robert L. Edwards, Jr., John A. Shimp and George E. Morgan, III. The address for each of the members of Ridgemont Secondary Management I, LLC is c/o Ridgemont Partners Management, LLC, 150 North College Street, Suite 2500, Charlotte, NC 28202. Ridgemont Secondary Management I, L.P., Ridgemont Secondary Management I, LLC and each of the members of Ridgemont Secondary Management I, LLC disclaim beneficial ownership of such shares except to the extent of their respective pecuniary interest therein, if any

(5) Does not include common stock held by investment funds associated with or designated by Clayton, Dubilier & Rice, LLC. Messrs. Giuriceo and Wasserman are directors of The ServiceMaster Company and Holdings and executives of Clayton, Dubilier & Rice, LLC. They disclaim beneficial ownership of the shares held by investment funds associated with or designated by Clayton, Dubilier & Rice, LLC. The address for Messrs. Giuriceo and Wasserman is 375 Park Avenue, New York, New York 10152.

(6) Includes shares which the current and former executive officers have the right to acquire prior to June 14, 2013 through the exercise of stock options or vesting of RSUs as follows: Mr. Mullany, 449,673 shares, Mr. Martin, 160,000 shares, Mr. Coba, 27,272 shares and Mr. Fallon, 100,000 shares. All current executive officers as a group have the right to acquire 717,726 shares prior to June 14, 2013 through the exercise of stock options or vesting of RSUs.

(7) All employees of the Company as a group held 2,227,221 shares of common stock and DSUs as of December 31, 2012, constituting 1.65 percent of the total ownership of Holdings.

Equity Compensation Plan Information

The following table contains information, as of December 31, 2012, about the amount of shares in Holdings, our indirect parent company, to be issued upon the exercise of outstanding options and RSUs granted under the MSIP.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in first column)
Equity compensation plans approved by shareholders	9,304,093	$ 10.53	4,013,688
Equity compensation plans not approved by shareholders			
Total	9,304,093	$ 10.53	4,013,688

(1) The figures in this column reflect 8,968,313 stock options and 335,780 RSUs granted to officers pursuant to the MSIP. For a description of the MSIP, please refer to Item 11, Compensation Discussion and Analysis.

116

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Policies and Procedures for Related Person Transactions

Our Board has 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 five percent 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 five percent beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than five percent 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 ten percent or more.

Stockholders Agreement

Holdings has entered into a stockholders agreement, as amended (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 certain 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) and one designee of investment funds associated with Citigroup (now a designee of StepStone), 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 CEO to be a director of Holdings, as well as his successor as CEO, 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 and the right, without any liability, to pursue investment opportunities in businesses that directly or indirectly compete with the Company s businesses. 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

Holdings has entered into a registration rights agreement with investment funds associated with or designated by certain of the Equity Sponsors. The Holdings 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 certain 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

Table of Contents

stock of Holdings held by them, subject to certain limitations, including as determined by the underwriters. The Holdings 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 Agreements

In connection with the Merger and the related transactions, the Company entered into a consulting agreement with CD&R under which CD&R provided the Company with on-going consulting and management advisory services. The annual management fee payable under the consulting agreement with CD&R is $6.25 million. Under this agreement, the Company recorded management fees in each of the years ended December 31, 2012, 2011 and 2010 of $6.25 million. The consulting agreement also provides that CD&R may receive additional fees in connection with certain subsequent financing and acquisition or disposition transactions. The consulting agreement will terminate on July 24, 2017, unless terminated earlier at CD&R s election.

In addition, in August 2009, the Company entered into consulting agreements with Citigroup, BAS and JPMorgan. Under the consulting agreements, Citigroup, BAS and JPMorgan each provide the Company with on-going consulting and management advisory services through June 30, 2016 or the earlier termination of the existing consulting agreement between the Company and CD&R. On September 30, 2010, Citigroup transferred the management responsibility for certain investment funds that own shares of common stock of Holdings to StepStone and Lexington Partners Advisors LP. Citigroup also assigned its obligations and rights under its consulting agreement to StepStone, and beginning in the fourth quarter of 2010, the consulting fee otherwise payable to Citigroup became payable to StepStone. As of December 22, 2011, Holdings purchased from BAS 7.5 million shares of capital stock of Holdings, and, effective January 1, 2012, the annual consulting fee payable to BAS was reduced to $0.25 million. The Company pays annual consulting fees of $0.5 million, $0.25 million and $0.25 million to StepStone, BAS and JPMorgan, respectively. The Company recorded aggregate consulting fees of $1.0 million for the year ended December 31, 2012 and $1.25 million in each of the years ended December 31, 2011 and 2010 related to these agreements.

Indemnification Agreements

Holdings and ServiceMaster have entered into indemnification agreements with certain of the Equity Sponsors and Holdings stockholders affiliated with certain of the Equity Sponsors, pursuant to which Holdings and ServiceMaster will indemnify those Equity Sponsors, the Holdings stockholders affiliated with those 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, transaction fee agreement and advisory agreements described above under Consulting Agreements 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 not 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, neither of our directors would be considered independent because of their relationships with CD&R. See Consulting Agreements above.

Debt Purchases

In 2008 and 2009, Holdings completed open market purchases totaling $65.0 million in face value of the 2015 Notes for a cost of $21.4 million. On December 21, 2011, the Company purchased from Holdings and retired $65.0 million in face value of the 2015 Notes for an aggregate purchase price of $68.0 million, which included payment of accrued interest of $3.0 million. During the years ended December 31, 2011 and 2010, the Company recorded interest expense of $6.8 million and $7.0 million, respectively, related to 2015 Notes held by Holdings.

Table of Contents

During the years ended December 31, 2011 and 2010, the Company paid interest to Holdings in the amount of $10.0 million and $7.0 million, respectively. As a result of the purchase of the 2015 Notes from Holdings, the Company did not have interest payable to Holdings as of December 31, 2012 and 2011.

Financing Arrangements with Related Parties

Affiliates of JPMorgan (which is one of the Equity Sponsors) have provided investment banking and commercial banking services to us for which they have received customary fees and commissions. In addition, these parties have acted as agents and lenders to us under our Credit Facilities and as initial purchasers for the 7.000% Notes and the 8% Notes and as joint lead arranger and joint bookrunner of the 2012 Term Loan Facility Amendment and the 2013 Term Loan Facility Amendment, for which they have received customary fees, commissions, expenses and/or other compensation. The Company entered into Registration Rights Agreements with an affiliate of JPMorgan in connection with the issuance of the 7.000% Notes and the 8% Notes.

Table of Contents

DESCRIPTION OF OTHER INDEBTEDNESS

Term Facilities

In connection with the Merger, we entered into a credit agreement, dated as of July 24, 2007, with respect to the Term Facilities, with Citibank, N.A. as administrative agent, collateral agent and letter of credit 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 Credit Agreement and related documents governing the Term Facilities.

Overview

The Term Facilities consist of the 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, and the L/C Facility.

On August 22, 2012, the Company entered into the 2012 Term Loan Facility Amendment to the Term Loan Facility to amend the Credit Agreement primarily to extend the maturity date of a portion of the borrowings under the Term Loan Facility. Prior to the 2012 Term Loan Facility Amendment, the Term Loan Facility had a maturity date of July 24, 2014. Pursuant to the 2012 Term Loan Facility Amendment, $1.0 billion of Tranche B Loans will have a maturity date of January 31, 2017. The remaining portion of $1.2 billion of Tranche A loans continued to have a maturity date of July 24, 2014. The 2012 Term Loan Facility Amendment also includes mechanics for future extension amendments, permits borrower buy-backs of term loans, increases the size of certain baskets and makes certain other changes to the Credit Agreement, including the reduction of the availability under the L/C Facility from $150.0 million to $137.6 million.

On February 22, 2013, the Company entered into the 2013 Term Loan Facility Amendment to amend the Credit Agreement primarily to extend the maturity date of a portion of the borrowings under the Term Loan Facility. Prior to the 2013 Term Loan Facility Amendment, approximately $1.2 billion of Tranche A loans had a maturity date of July 24, 2014. Pursuant to the 2013 Term Loan Facility Amendment, the maturity of the outstanding Tranche A loans was extended, and such loans were converted into Tranche C loans in an aggregate principal amount, along with new loans extended by certain new lenders, of $1.2 billion. The maturity date for the new Tranche C loans is January 31, 2017. As part of the 2013 Term Loan Facility Amendment, the Company paid an original issue discount equal to 1.00 percent of the outstanding borrowings, or $12.2 million.

As a result of the 2012 Term Loan Facility Amendment and the 2013 Term Loan Facility Amendment, the Company will have approximately $2.2 billion of outstanding borrowings maturing January 31, 2017 and the Company had, as of December 31, 2012, $124.3 million of letters of credit, resulting in unused commitments under the L/C Facility of $13.3 million.

Table of Contents

Maturity; prepayments

The maturity date for approximately $2.220 billion of outstanding borrowings under the Term Loan Facility is January 31, 2017. The Term Loan Facility amortizes in nominal quarterly installments equal to $5.6 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 percent of annual excess cash flow (as defined in Credit Agreement) for any fiscal year unless a certain leverage ratio target is met.

Voluntary prepayments of borrowings under the Term Loan Facility are permitted at anytime, in minimum principal amounts, without premium or penalty, subject to, in the case of Tranche C Loans, a 1.00 percent premium payable in connection with certain repricing transactions within the first year.

Guarantees; security

ServiceMaster is the borrower under the Term Facilities. CDRSVM Holding, Inc., 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 Facilities. The Term Facilities 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 percent 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 Facilities are 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 (adjusted for minimum reserves) plus a borrowing margin with a minimum adjusted London inter-bank offered rate of 1.00 percent in the case of Tranche C loans, or (ii) an alternate base rate plus a borrowing margin with a minimum alternate base rate of 2.00 percent in case of Tranche C loans. The borrowing margin for outstanding Tranche B Loans is 4.25 percent per annum and for outstanding Tranche C Loans is 3.25 percent per annum (in each case in respect of interest measured by reference to the London inter-bank offered rate). The borrowing margin for Tranche A Loans was, as of December 31, 2012, 2.50 percent per annum.

Fees

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

Covenants

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

- incur additional debt (including guarantees of other debt);
- pay dividends or make other restricted payments, including investments;
- make acquisitions;

Table of Contents

- prepay or amend the terms of certain outstanding debt;
- create restrictions on the ability of our restricted subsidiaries to pay dividends to us or make other intercompany transfers;
- 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.