Merry Maids Limited Partnership
Form S-1/A
December 08, 2008

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As filed with the Securities and Exchange Commission on December 8, 2008

Registration No. 333-154648

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No. 1
to

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE SERVICEMASTER COMPANY

(Exact name of registrant as specified in its charter)

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

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

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

Copies to:

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

Table of Additional Registrants

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

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

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

SUBJECT TO COMPLETION, DATED DECEMBER 8, 2008

PRELIMINARY PROSPECTUS

10.75%/11.50% Senior Toggle Notes due 2015

Fully and unconditionally guaranteed by the Subsidiary Guarantors

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

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

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

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

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

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

Investing in the Notes involves substantial risks. See "Risk Factors" beginning on page 8 of this prospectus for a discussion of the risks you should consider in connection with an investment in the Notes.

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

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

The date of this prospectus is , 2008.

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

SUMMARY

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

Company Overview

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

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

The Offering

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

Issuer	The ServiceMaster Company.
Securities	$1,150,000,000 aggregate principal amount of 10.75%/11.50% Senior Toggle Notes due 2015.
Maturity	The Notes will mature on July 15, 2015.
Interest rate	For any semi-annual interest payment period through July 15, 2011, we may, at our option, elect to pay interest (1) entirely as Cash Interest, (2) entirely as PIK Interest or (3) 50% as Cash Interest and 50% as PIK Interest. Cash Interest will accrue on the Notes at a rate per annum equal to 10.75%. PIK Interest shall accrue on the Notes at a rate per annum equal to 11.50%, which is the Cash Interest rate plus 75 basis points. If we elect to pay PIK Interest, we will increase the principal amount of the Notes in an amount equal to the amount of PIK Interest payable for the applicable payment period to holders of the Notes on the relevant record date. Interest payable after July 15, 2011 will be payable in the form of Cash Interest.
	If we do not elect the form of interest payment with respect to a relevant interest payment date, the interest on the Notes will be payable on the related interest payment date in the form specified in the most recent interest election delivered by us. We have elected to pay interest due and payable on January 15, 2009 entirely in the form of Cash Interest.
Interest payment dates	January 15 and July 15, commencing on January 15, 2009. Interest will accrue on the Notes from July 24, 2008.
Ranking	The Notes are unsecured senior indebtedness of ServiceMaster and rank:
	equal in right of payment to all existing and future senior indebtedness of ServiceMaster;
	senior in right of payment to all existing and future subordinated obligations of ServiceMaster; and
	effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness and to all indebtedness and other liabilities of our subsidiaries (other than subsidiaries that are or become guarantors).
	As of September 30, 2008:
	we had $4,271.2 million of consolidated indebtedness, substantially all of which would have ranked equally in right of payment with the Notes.

	of our consolidated indebtedness, we had $2,781.9 million of secured indebtedness under our Credit Facilities, to which the Notes are effectively subordinated, and have $335 million of additional commitments under the Revolving Credit Facility available to us, all of which would be secured if borrowed.
	our non-guarantor subsidiaries had approximately $176.0 million of total debt and capital leases, including intercompany notes payable to ServiceMaster and the guarantor subsidiaries and excluding trade payables and other obligations, all of which are structurally senior to the Notes.
Guarantees	The Notes are guaranteed, on a senior basis, by certain domestic subsidiaries of ServiceMaster. These guarantees are subject to release under specified circumstances. See "Description of Notes Subsidiary Guarantees." The guarantee of each guarantor is a senior unsecured obligation of that guarantor and ranks:
	equal in right of payment to all existing and future senior indebtedness of that guarantor;
	senior in right of payment to all existing and future guarantor subordinated obligations; and
	effectively subordinated to all secured indebtedness of that guarantor to the extent of the value of the assets securing such indebtedness.
Optional redemption	We may redeem the Notes, in whole or in part, at our option, at any time (1) prior to July 15, 2011, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date plus the applicable make-whole premium described under "Description of Notes Redemption" and (2) on and after July 15, 2011, at the redemption prices listed under "Description of Notes Redemption."
Optional redemption after certain equity offerings	On or prior to July 15, 2010, we may on one or more occasions, at our option, apply funds equal to the offering proceeds from one or more equity offerings to redeem up to 35% of the Notes at the redemption price listed under "Description of Notes Redemption."
Change of control	If we experience a Change of Control, as described under "Description of Notes Change of Control," we must offer to repurchase all of the Notes (unless otherwise redeemed) at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

Mandatory principal redemption	If the Notes would otherwise constitute "applicable high yield discount obligations" ("AHYDO") within the meaning of Section 163(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), at the end of each tax accrual period beginning with the first tax accrual period ending after July 15, 2012 (each, an "AHYDO redemption date"), we will be required to redeem for cash a portion of each such note then outstanding equal to the "mandatory principal redemption amount" with respect to such accrual period (such redemption, a "mandatory principal redemption"). The redemption price for the portion of each note redeemed pursuant to a mandatory principal redemption will be 100% of the principal amount of such portion plus any accrued interest thereon on the date of redemption. The "mandatory principal redemption amount" with respect to such accrual period means the portion of a note required to be redeemed to prevent such note from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(1) of the Code. No partial redemption or repurchase of the Notes prior to an AHYDO redemption date pursuant to any other provision of the indenture for the Notes will alter our obligation to make a mandatory principal redemption with respect to any Notes that remain outstanding on such AHYDO redemption date.
Covenants	The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:
	incur more debt;
	pay dividends, redeem stock or make other distributions;
	make investments;
	create liens;
	transfer or sell assets;
	merge or consolidate; and
	enter into certain transactions with our affiliates.
	These covenants are subject to important exceptions and qualifications, which are described under "Description of Notes Certain covenants" and "Description of Notes Merger and consolidation."
Registration rights	Pursuant to the Exchange and Registration Rights Agreement, we have agreed to register resales of the Notes under the Securities Act as described under "Description of Notes Registration rights agreement." Upon any resale of Notes pursuant to the shelf registration statement of which this prospectus forms a part, selling securityholders will be required to deliver to the Company and Trustee the Notice of Transfer set forth in Appendix A hereto.

	Under the Exchange and Registration Rights Agreement, we are required to use commercially reasonable efforts to maintain the effectiveness of the shelf registration statement of which this prospectus forms a part for a specified period ending as early as 90 days after the effective date of the shelf registration statement (when the Notes become eligible for resale pursuant to Rule 144).
Trading market for the Notes	There can be no assurance as to the development or liquidity of any trading market for the Notes.

Risk Factors

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

Summary Historical Consolidated Financial Information

We have provided the following summary historical consolidated financial information for your reference. We have derived the summary financial information for each of the years ended December 31, 2005 through December 31, 2007 from our audited consolidated financial statements. The summary financial information for each of the nine months ended September 30, 2008, the period from July 25, 2007 to September 30, 2007 and the period from January 1, 2007 to July 24, 2007 is unaudited and includes all adjustments (consisting of normal recurring items) which are, in our opinion, necessary for a fair presentation of our financial position as of such dates and results of operations for such periods. The results of operations for the nine months ended September 30, 2008 are not necessarily indicative of the results for our full fiscal year ending December 31, 2008. This summary financial information should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included herein.

	Successor		**Predecessor**	**Successor**		**Predecessor**			
		For the periods from		**For the periods from**		**Year ended December 31**			
(In thousands, except per share data)	**Nine months ended Sept. 30, 2008**	**July 25, 2007 to Sept. 30, 2007**	**Jan. 1, 2007 to July 24, 2007**	**July 25, 2007 to Dec. 31, 2007**	**Jan. 1, 2007 to July 24, 2007**	**2006**	**2005**	**2004**	**2003**
Operating Results:									
Operating revenue	$2,577,609	$ 690,625	$ 1,934,390	$1,422,358	$1,934,390	$3,332,703	$3,239,478	$3,068,068	$2,895,028
Operating income(1)	214,548	50,554	143,932	33,240	143,932	324,128	340,083	324,308	110,655
Percentage of operating revenue	*8.3%*	*7.3%*	*7.4%*	*2.3%*	*7.4%*	*9.7%*	*10.5%*	*10.6%*	*3.8%*
Non-operating expense	258,952	74,469	6,551	181,734	6,551	43,639	45,385	53,464	58,394
(Benefit) provision for income taxes(1),(2)	(8,341)	(9,136)	51,692	(52,182)	51,692	95,205	114,137	(45,779)	54,716
(Loss) income from continuing operations(1),(2)	(36,063)	(14,779)	85,689	(96,312)	85,689	185,284	180,561	316,623	(2,455)
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes(1),(2)	(4,670)	(2,590)	(4,588)	(27,208)	(4,588)	(15,585)	18,364	14,604	(222,232)
Net (loss) income	$ (40,733)	$ (17,369)	$ 81,101	$ (123,520)	$ 81,101	$ 169,699	$ 198,925	$ 331,227	$ (224,687)
Cash dividends per share	$	$	$ 0.24	$	$ 0.24	$ 0.46	$ 0.44	$ 0.43	$ 0.42
Financial Position (at period end):									
Total assets	$7,637,292	$7,763,116		$7,591,060		$3,134,441	$3,048,009	$3,161,074	$2,975,131
Total liabilities	6,377,818	6,351,933		6,287,526		1,945,583	1,893,369	2,069,539	2,058,305
Total long-term debt outstanding	4,271,194	4,118,450		4,130,811		706,954	677,289	825,959	837,976
Minority interest						100,000	100,000	100,000	100,309
Shareholders' equity(1),(2)	1,259,474	1,411,183		1,303,534		1,088,858	1,054,640	991,535	816,517

(1) The 2007 and 2008 results include restructuring charges for severance, as well as costs associated with our current restructuring initiative, Fast Forward, and payments for employee retention and severance related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $9.1 million in the nine months ended September 30, 2008, $8.2 million in the Successor Period from July 25, 2007 to September 30, 2007, $16.9 million in the Predecessor Period from January 1, 2007 to July 24, 2007 and $26.0 million in the period from July 25 to December 31, 2007. The 2006 results include restructuring charges for severance, as well as costs associated with "Project Accelerate", the Company's initiative to improve the effectiveness and efficiency of its functional support areas, and accruals for employee retention and severance to be paid in future periods that are related to the

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Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $21.6 million, which includes approximately $6 million of non-recurring net operating loss carry forward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis.

The results also include merger charges related to the purchase of ServiceMaster by a group of investors led by Clayton, Dubilier & Rice, Inc. The merger related charges totaled $0.8 million in the nine months ended September 30, 2008, $0.5 million in the period from July 25, 2007 to September 30, 2007, $41.4 million in the period from January 1, 2007 to July 24, 2007, $0.8 million in the period from July 25 to December 31, 2007 and $1.0 million in 2006.

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

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

(2)

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

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

Ratios of Earnings to Fixed Charges

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

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

(a)

For purposes of the ratio calculation, the deficiency in our earnings to achieve a one-to-one ratio of earnings to fixed charges for the nine months ended September 30, 2008 was approximately $44.4 million. For purposes of calculating our ratio of earnings to fixed charges for the nine months ended September 30, 2008, fixed charges were approximately $256.9 million.

(b)

For purposes of the ratio calculation, the deficiency in our earnings to achieve a one-to-one ratio of earnings to fixed charges for the period from July 25, 2007 to September 30, 2007 was approximately $23.9 million. For purposes of calculating our ratio of earnings to fixed charges for the period from July 25, 2007 to September 30, 2007, fixed charges were approximately $78.3 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 period from July 25, 2007 to December 31, 2007 was approximately $148.5 million. For purposes of calculating our ratio of earnings to fixed charges for the period from July 25, 2007 to December 31, 2007, fixed charges were approximately 177.9 million.

RISK FACTORS

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

Risks related to our business and our industry

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

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

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

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

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

Our financial performance is affected by the level of our operating expenses, such as fuel, raw materials, wages and salaries, employee benefits, health care, vehicle, self-insurance costs and other insurance premiums as well as various regulatory compliance costs, all of which may be subject to inflationary pressures. In particular, our financial performance is adversely affected by increases in these operating costs. In recent years, fuel prices have fluctuated widely and have generally increased, including sharp increases in 2007 and 2008. These fuel price increases raise our costs of operating vehicles and equipment. Fuel price increases can also result in increases in the cost of fertilizer, chemicals and other materials used in our business. We cannot predict the extent to which we may experience future increases in fuel costs and other operating costs. In the first six months of 2008, increases in fuel, fertilizer and other costs throughout the Company negatively impacted our cost of services rendered and products sold. To the extent such cost increases continue, we may not be able to fully pass these increased costs through to our existing and prospective customers, and the rates we pay to our subcontractors may increase, any of which could have a material adverse impact on our operating results. With respect to fuel, our fleet, which consumes roughly 30 million gallons annually, has been negatively impacted by significant increases in fuel prices. Each year, we typically hedge approximately two-thirds of our estimated annual fuel usage. As of September 30, 2008, a 10% change in fuel prices would result in a change of approximately $12 million in the Company's annual fuel cost before considering the impact of fuel swap contracts. A shortage in supply of fuel would also adversely affect our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We plan to continue to pursue opportunities to expand through selective acquisitions. Our ability to make acquisitions at reasonable prices and to integrate acquired businesses are important factors in our future growth. We cannot assure that we will be able to manage or integrate acquired businesses successfully and/or retain customers of the acquired businesses. Any inability on our part to consolidate and manage growth from acquired businesses could have an adverse effect on our financial performance, and there can be no assurance that any acquisition that we make in the future will provide us with the benefits that were anticipated when entering into such acquisition. The process of integrating an acquired business and/or reorganizing our management and merit processes may create unforeseen difficulties and expenses, including the diversion of resources needed to integrate new businesses, technologies, products, personnel or systems; the inability to retain employees, customers and suppliers; the assumption of actual or contingent liabilities; failure to follow internal processes; write-offs or impairment charges relating to goodwill and other intangible assets; and unanticipated or unknown liabilities relating to acquired businesses.

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

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

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

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

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

In light of the current uncertainty in the credit and financial markets, in September 2008, we borrowed $165 million under our existing $500 million Revolving Credit Facility to increase our cash position to preserve our financial flexibility. In addition, during the third quarter of 2008, $10 million of interests were transferred under our receivables sales arrangement. Although we are not currently experiencing any limitation of access to the Credit Facilities and are not aware of any issues currently impacting the ability of the lenders under them to honor their commitments to extend credit, there is no assurance that the U.S. and global credit crisis will not adversely affect our ability to borrow on the Credit Facilities in the future. Liquidity or capital problems at one or more of the lenders on the Revolving Credit Facility could reduce or eliminate the amount available for us to draw under such facility. Our access to additional capital may not be available on terms acceptable to us or at all.

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

Risks relating to our capital structure and the Notes

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

As of September 30, 2008, we had $4,271.2 million of consolidated indebtedness and $335 million of available borrowings under our Revolving Credit Facility. In addition, under the Notes, we will have the option to elect to pay interest in the form of PIK Interest. In the event we make a PIK Interest election in each period, our debt will increase by the amount of such PIK Interest.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The indenture governing the Notes permits us to incur a significant amount of secured indebtedness, including indebtedness under the Credit Facilities. Indebtedness under the Credit Facilities is secured by substantially all of the tangible and intangible assets of ServiceMaster and the guarantors under the Credit Facilities, subject to certain exceptions. The Notes are unsecured and therefore do not have the benefit of such collateral. Accordingly, the Notes are effectively subordinated to all such secured indebtedness. If an event of default occurs under the Credit Facilities, the senior secured lenders will have a prior right to our assets securing the Credit Facilities, to the exclusion of the holders of the Notes, even if we are in default under the Notes. In that event, our assets would first be used to repay indebtedness and other obligations secured by them (including amounts outstanding under the Credit Facilities), resulting in all or a portion of our assets being unavailable to satisfy the claims of the holders of the Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of Notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. Further, if the lenders foreclose and sell the pledged interests in any subsidiary guarantor under the Notes, then that guarantor will be released from its guarantee of the Notes automatically and immediately upon the sale. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness.

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

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

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

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

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

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

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

If we or our subsidiaries are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we or they otherwise fail to comply with the various covenants in the instruments governing our or their indebtedness (including covenants in the Credit Facilities, the indenture governing the Notes and the indenture governing the continuing Notes), we or they could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under the Credit Facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If amounts outstanding under the Credit Facilities, the continuing Notes or other debt of our subsidiaries are accelerated, all our subsidiaries' debt and liabilities would be payable from our subsidiaries' assets, prior to any distributions of our subsidiaries' assets to pay interest and principal on the Notes, and we might not be able to repay or make any payments on the Notes.

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

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

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

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

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

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

A significant portion of our outstanding debt, including under the Credit Facilities, bears interest at variable rates. As a result, increases in interest rates would increase the cost of servicing our debt and could materially reduce our profitability and cash flows. As of September 30, 2008, each one percentage point change in interest rates would result in an approximately $12 million change in the annual interest expense on our Term Loan Facilities after considering the impact of the interest rate swaps into which we have entered. Assuming all revolving loans were fully drawn, each one percentage point change in interest rates would result in a $5 million change in annual interest expense on our Revolving Credit Facility. We are also exposed to increases in interest rates in respect of our arrangement enabling us to 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 a $1 million change in annual interest expense in respect of this arrangement. We are also exposed to increases in interest rates in respect of our floating rate leases, and a one percentage point change in interest rates would result in an approximately $2 million change in annual rent expense in respect of such leases. The impact of increases in interest rates could be more significant for us than it would be for some other companies because of our substantial debt and floating rate leases.

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

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

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

- the issuer or guarantor:

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

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

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

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

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

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

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in the relevant legal proceeding. Generally, however, the issuer or a guarantor would be considered insolvent if, at the time it incurs the indebtedness constituting the Notes or its guarantee, as applicable:

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

possible labor organizing activities at the Company or its franchisees;

risks inherent in acquisitions and dispositions;

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

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

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

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

USE OF PROCEEDS

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

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

	Successor		Predecessor	Successor		Predecessor			
		For the periods from		For the periods from		Year ended December 31			
(In thousands, except per share data)	**Nine months ended Sept. 30, 2008**	**July 25, 2007 to Sept. 30, 2007**	**Jan. 1, 2007 to July 24, 2007**	**July 25, 2007 to Dec. 31, 2007**	**Jan. 1, 2007 to July 24, 2007**	**2006**	**2005**	**2004**	**2003**
Operating Results:									
Operating revenue	$2,577,609	$ 690,625	$ 1,934,390	$ 1,422,358	$ 1,934,390	$ 3,332,703	$ 3,239,478	$ 3,068,068	$ 2,895,028
Operating income(1)	214,548	50,554	143,932	33,240	143,932	324,128	340,083	324,308	110,655
Percentage of operating revenue	*8.3%*	*7.3%*	*7.4%*	*2.3%*	*7.4%*	*9.7%*	*10.5%*	*10.6%*	*3.8%*
Non-operating expense	258,952	74,469	6,551	181,734	6,551	43,639	45,385	53,464	58,394
(Benefit) provision for income taxes(1),(2)	(8,341)	(9,136)	51,692	(52,182)	51,692	95,205	114,137	(45,779)	54,716
(Loss) income from continuing operations(1),(2)	(36,063)	(14,779)	85,689	(96,312)	85,689	185,284	180,561	316,623	(2,455)
(Loss) income from businesses held pending sale and discontinued operations, net of income taxes(1),(2)	(4,670)	(2,590)	(4,588)	(27,208)	(4,588)	(15,585)	18,364	14,604	(222,232)
Net (loss) income	$ (40,733)	$ (17,369)	$ 81,101	$ (123,520)	$ 81,101	$ 169,699	$ 198,925	$ 331,227	$ (224,687)
Cash dividends per share	$	$	$ 0.24	$	$ 0.24	$ 0.46	$ 0.44	$ 0.43	$ 0.42
Financial Position (at period end):									
Total assets	$7,637,292	$7,763,116		$7,591,060		$3,134,441	$3,048,009	$3,161,074	$2,975,131
Total liabilities	6,377,818	6,351,933		6,287,526		1,945,583	1,893,369	2,069,539	2,058,305
Total long-term debt outstanding	4,271,194	4,118,450		4,130,811		706,954	677,289	825,959	837,976
Minority interest						100,000	100,000	100,000	100,309
Shareholders' equity(1),(2)	1,259,474	1,411,183		1,303,534		1,088,858	1,054,640	991,535	816,517

(1)

The 2007 and 2008 results include restructuring charges for severance, as well as costs associated with Fast Forward, and payments for employee retention and severance related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $9.1 million in the nine months ended September 30, 2008, $8.2 million in the Successor Period from July 25, 2007 to September 30, 2007, $16.9 million in the Predecessor Period from January 1, 2007 to July 24, 2007 and $26.0 million in the period from July 25 to December 31, 2007. The 2006 results include restructuring charges for severance, as well as costs associated with "Project Accelerate", the Company's initiative to improve the effectiveness and efficiency of its functional support areas, and accruals for employee retention and severance to be paid in future periods that are related to the Company's decision to consolidate its corporate headquarters into its operations support center in Memphis, Tennessee and close its former headquarters in Downers Grove, Illinois. The restructuring charges totaled $21.6 million, which includes approximately $6 million of non-recurring net operating loss carry forward benefits which became realizable to the Company as a result of its decision to consolidate its corporate headquarters in Memphis.

The results also include merger charges related to the purchase of ServiceMaster by a group of investors led by Clayton, Dubilier & Rice, Inc. The merger related charges totaled $0.8 million in the nine months ended September 30, 2008, $0.5 million in the period from July 25, 2007 to September 30, 2007, $41.4 million in the period from January 1, 2007 to July 24, 2007, $0.8 million in the period from July 25 to December 31, 2007 and $1.0 million in 2006.

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

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

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

(2)

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

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

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

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

Merger Agreement

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

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

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

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

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

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

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

Results of Operations

Although ServiceMaster continued as the same legal entity after the Merger, the accompanying consolidated financial statements are presented for two periods, Predecessor and Successor, which relate to the period preceding the Merger and the period succeeding the Merger, respectively. The separate presentation is required under GAAP when there is a change in accounting basis, which occurred when purchase accounting was applied to the acquisition of the Predecessor. Purchase accounting requires that the historical carrying value of the assets acquired and liabilities assumed be adjusted to fair value, which may yield results that are not comparable on a period-to-period basis due to the different, and sometimes higher, cost basis associated with the allocation of the purchase price. The Company refers to the operations of ServiceMaster for both the Predecessor and Successor periods. The condensed consolidated statements of financial position as of September 30, 2008 and December 31, 2007 and the condensed consolidated statements of operations and of cash flows for the nine months ended September 30, 2008 and for the period from July 25, 2007 to September 30, 2007 reflect the financial position, operations and cash flows of the Successor. The condensed consolidated statements of operations and of cash flows for the period from January 1, 2007 to July 24, 2007 reflect the operations and cash flows of the Predecessor.

Nine Months Ended September 30, 2008 Compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007

The Company reported revenue of $2,577.6 million for the nine months ended September 30, 2008, a $47.4 million or 1.8 percent decrease compared to the combined Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. The revenue for the nine months ended September 30, 2008 and the Successor Period from July 25 to September 30, 2007 has been reduced by $34.1 million (non-cash) and $30.8 million (non-cash), respectively, resulting from recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, revenue for the nine months ended September 30, 2008 decreased $44.1 million or 1.7 percent, from 2007 levels, driven by the results of our business units as described in our "Segment Reviews for the Nine Months Ended September 30, 2008 Compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007".

Operating income was $214.5 million in the nine months ended September 30, 2008 compared to $50.6 million and $143.9 million in the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. Loss from continuing operations before income taxes was $44.4 million in the nine months ended September 30, 2008 compared to a loss from continuing operations before income taxes of $23.9 million and income from continuing operations before income taxes of $137.4 million in the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. The decrease in (loss) income from continuing operations before income taxes of $157.9 million primarily reflects the net effect of:

(In millions)	
Non-cash purchase accounting adjustments (1)	$ (94.1)
Increased interest expense (2)	(147.0)
Decreased interest and net investment income (3)	(33.4)
Decreased merger related charges (4)	41.1
Decreased restructuring charges (5)	16.0
Improved segment results (6)	59.5
	$(157.9)

(1) The net unfavorable impact of non-cash purchase accounting adjustments in the nine months ended September 30, 2008 of $94.1 million consists primarily of increased amortization of intangible assets of $72.0 million, a $3.3 million reduction in revenue and increased deferred customer acquisition expense of $18.2 million.

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

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

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

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

(6) Represents an increase in income from continuing operations before income taxes, non-cash purchase accounting adjustments, interest expense, interest and net investment income, merger related charges and restructuring charges supported by the improved results at Terminix, TruGreen LawnCare, TruGreen LandCare, American Home Shield and Other Operations and Headquarters as described in our "Segment Reviews for the Nine Months Ended September 30, 2008 Compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007."

Operating and Non-Operating Expenses

The Company reported cost of services rendered and products sold of $1,566.7 million for the nine months ended September 30, 2008 compared to $420.5 million and $1,196.3 million for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. Excluding the unfavorable non-cash reduction of revenue of $34.1 million for the nine months ended September 30, 2008 and $30.8 million for the Successor Period from July 25 to September 30, 2007 resulting from recording deferred revenue at its fair value in conjunction with purchase accounting, as a percentage of revenue these costs decreased to 60.0 percent for the nine months ended September 30, 2008 from 59.2 percent and 61.8 percent for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. This decrease primarily reflects the impact of improved labor efficiency at Terminix, offset by increases in fuel, fertilizer and other factor costs throughout the enterprise.

The Company reported selling and administrative expenses of $653.4 million for the nine months ended September 30, 2008 compared to $154.5 million and $530.7 million for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. The nine months ended September 30, 2008 and the Successor Period from July 25 to September 30, 2007 includes a $14.1 million (non-cash) and $25.8 million (non-cash) decrease, respectively, in selling and administrative expenses resulting from recording deferred customer acquisition costs at their fair value in connection with purchase accounting. Excluding the impact of purchase accounting, these costs decreased as a percentage of revenue to 25.6 percent for the nine months ended September 30, 2008 from 25.0 percent and 27.4 percent for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. The decrease in selling and administrative expenses as a percentage of revenue primarily reflects lower functional support costs, improved sales labor efficiency at TruGreen LawnCare and Terminix, and lower compensation charges for the Company due primarily to a decrease in the market value of investments within an employee deferred compensation trust (for which there is a corresponding and offsetting decrease within interest and net investment loss (income)).

Amortization expense was $133.1 million for the nine months ended September 30, 2008 compared to $56.4 million and $5.2 million for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. The increase reflects $126.6 million and $54.6 million of amortization for the nine months ended September 30, 2008 and the Successor Period from July 25 to September 30, 2007, respectively related to recording amortizable intangible assets of $844 million in purchase accounting in connection with the Merger.

The Company reviews goodwill and indefinite-lived intangible assets for impairment annually in the fourth quarter and between annual test dates in certain circumstances. The majority of the Company's goodwill and indefinite-lived intangible assets (mainly trade names) relate to the Merger. The Company does not believe a triggering event requiring the Company to conduct an interim impairment test had occurred as of September 30, 2008 and will perform the annual test during the fourth quarter. However, due to the uncertainty in the credit markets and the recent declines in global equity markets, the Company believes it is reasonably possible that its fourth quarter analysis will result in a non-cash impairment charge, but cannot reasonably estimate the amount of such charge until it completes its annual evaluation later in the fourth quarter. As of September 30, 2008, the balances of the Company's goodwill and indefinite-lived intangible assets were $3.1 billion and $3.1 billion, respectively.

Non-operating expense totaled $259.0 million for the nine months ended September 30, 2008 compared to $74.5 million and $6.6 million for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. This change includes a $147.0 million increase in interest expense for the nine months ended September 30, 2008 primarily resulting from the increased debt levels related to the Merger, and a $34.2 million decrease in interest and net investment income for the nine months ended September 30, 2008. Interest and net investment income was comprised of the following for the nine months ended September 30, 2008, the

Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007:

	Successor		Predecessor
(In millions)	**Nine months ended Sept. 30, 2008**	**July 25, 2007 to Sept. 30, 2007**	**Jan. 1, 2007 to July 24, 2007**
Realized gains (1)	$ 8,379	$ 606	$ 25,091
Impairments (2)	(9,030)	(290)	(928)
Deferred compensation trust (3)	(3,907)	120	2,880
Other	2,921	3,454	1,581
Interest and net investment (loss) income	$ (1,637)	$ 3,890	$ 28,624

(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 an offsetting adjustment in compensation expense within operating loss (income)).

The effective tax rate on (loss) income from continuing operations was a benefit of 18.8 percent for the nine months ended September 30, 2008 compared to 38.2 percent and 37.6 percent for the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. The change in the effective tax rate between the nine months ended September 30, 2008 and the combined period for the nine months ended September 30, 2007 is due to state tax expense offsetting the annual projected federal benefit in 2008 compared to state tax expense increasing the effective annual tax rate in 2007. In addition, the projected 2008 benefit is reduced by additional tax reserves and permanent items related to the Merger. The effective tax rate for the combined periods for the nine months ended September 30, 2007 includes reductions in tax expense resulting from the favorable resolution of state tax items related to a prior non-recurring transaction, as well as the incremental deferred tax benefits that became recognizable during the second quarter of 2007 upon the conversion of the minority equity interests in Terminix into eight million shares of ServiceMaster common stock. These factors were offset, in part, by the unfavorable impact of merger related book expenses that are not deductible for federal income tax reporting purposes.

Restructuring and Merger Related Charges

The Company is engaged in a reorganization and restructuring of certain of its businesses and support functions under Fast Forward. Among the purposes of Fast Forward is to eliminate layers and bureaucracy and simplify work processes in order to better align the Company's work processes around its operational and strategic objectives. It is expected that Fast Forward will be effected in phases. The first phase involved, among other things, a reduction in work force and various process improvements, including the closing of American Home Shield's call center located in Santa Rosa, California. The second phase is expected to include the organization of certain corporate support functions into Centers of Excellence which are expected to deliver higher quality services to our business units at lower costs, the outsourcing to third party vendors of various business activities that currently are handled internally, as well as other employee workforce reductions expected to result in cost-savings. The first phase of Fast Forward was substantially completed in the first quarter of 2008, and the second phase is underway.

We are currently in the late stages of negotiations with a third party vendor to outsource certain of our information technology activities. The remaining negotiations include refining the scope of work, developing service level agreements and negotiating the terms and conditions of the contract. If the negotiations conclude successfully, we would anticipate transitioning certain information technology activities to the third party vendor during the first half of 2009. In connection with such transition we would expect to incur cash charges related to, among other things, employee retention and severance costs and transition fees paid to the third party vendor, and such cash charges would be material.

In connection with Fast Forward, the Company incurred costs in the nine months ended September 30, 2008 of approximately $8.7 million. Such costs include consulting fees of approximately $4.4 million and severance, lease termination and other costs of approximately $4.3 million. For the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007 the Company incurred $3.4 million and $0.2 million of restructuring charges related to Fast Forward, respectively.

The Company expects that it will incur substantial additional costs in order to implement the second phase of Fast Forward, but is currently unable to estimate the aggregate amount or timing of such charges or the anticipated related cash outlays. The Company is on schedule with respect to realizing its previously forecasted savings from Fast Forward. The Company believes that it will ultimately realize annual pretax savings of $60 million by the end of 2009. Most of these savings will benefit the selling, general and administrative line in the statement of operations.

The results for the Successor and Predecessor periods ended September 30, 2007 include restructuring charges related to the Company's consolidation of its corporate headquarters into its operations support center in Memphis, Tennessee and the closing of its headquarters in Downers Grove, Illinois. The transition to Memphis was substantially completed in 2007. Almost all costs related to the transition were cash expenditures, and, in accordance with GAAP, these costs were expensed throughout the transition period. In the Successor period from July 25, 2007 to September 30, 2007, the Company recognized charges of approximately $4.7 million, which consisted of $3.7 million of employee retention and severance and $1.0 million of recruiting and related costs. In the Predecessor Period from January 1, 2007 to July 24, 2007, the Company recognized charges of approximately $16.8 million, which consisted of $12.8 million of employee retention and severance and $4.0 million of recruiting and related costs. During the nine months ended September 30, 2008, the Company incurred costs of $0.4 million relating to this relocation, which includes additional severance and other costs.

During the nine months ended September 30, 2008, the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, the Company incurred Merger related charges totaling $0.8 million, $0.5 million and $41.4 million, respectively. These Merger related charges include investment banking, accounting, legal and other costs associated with the Merger, which cannot be capitalized as part of the purchase cost for financial reporting purposes.

Key Performance Indicators

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

	Key Performance Indicators as of September 30,	
	2008	**2007**
TruGreen LawnCare		
Growth in Full Program Accounts (1)	1%	1%
Customer Retention Rate (1)	68.2%	67.5%
Terminix		
Growth in Pest Control Customers	0%	6%
Pest Control Customer Retention Rate	78.8%	78.8%
Growth in Termite Customers	1%	1%
Termite Customer Retention Rate	87.5%	87.6%
American Home Shield		
Growth in Warranty Contracts	0%	6%
Customer Retention Rate	61.5%	61.1%

(1) During the third quarter of 2008, TruGreen LawnCare changed its definition of Full Program Accounts to include sales in the second half of the year with the completion of the initial full program to occur in the first half of the following year. Prior to the third quarter of 2008 such sales were reflected as full program accounts and included in customer retention in the first quarter of the year following the sale. Growth in Full Program Accounts and Customer Retention Rate for 2007 have been adjusted to conform to the 2008 definition.

Segment Reviews for the Nine Months Ended September 30, 2008 Compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007

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

The Company uses Adjusted EBITDA and Comparable Operating Performance to facilitate operating performance comparisons from period to period. Adjusted EBITDA and Comparable Operating Performance are supplemental measures of the Company's performance that are not required by, or presented in accordance with, GAAP. Adjusted EBITDA and Comparable Operating Performance are not measurements of the Company's financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to net cash provided by operating activities or any other measures of the Company's cash flow or liquidity. "Adjusted EBITDA" means net income before net income (loss) from businesses held pending sale and discontinued operations; provision (benefit) for income taxes; minority interest and other expense, net; interest expense and interest and net investment income; and depreciation and amortization expense; as well as adding back interest and net investment income. The Company views its total interest and investment income as an integral part of its business model and earnings stream. "Comparable Operating Performance" is calculated by adding back to Adjusted EBITDA non-cash option and restricted stock expense and non-cash effects on Adjusted EBITDA attributable to the application of purchase accounting in connection with the Merger.

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

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

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

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

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

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

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

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

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

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

(In thousands)	Successor Nine months ended Sept. 30, 2008	Successor July 25, 2007 to Sept. 30, 2007	Predecessor Jan. 1, 2007 to July 24, 2007
Operating Revenue:			
TruGreen LawnCare	$ 876,180	$ 273,485	$ 597,147
TruGreen LandCare	240,894	76,325	242,154
Terminix	846,594	201,087	645,700
American Home Shield	450,316	99,389	331,361
Other Operations and Headquarters	163,625	40,339	118,028
Total Operating Revenue	$ 2,577,609	$ 690,625	$ 1,934,390
Comparable Operating Performance:			
TruGreen LawnCare	$ 152,437	$ 66,357	$ 84,208
TruGreen LandCare	6,764	(1,600)	965
Terminix	174,414	32,027	120,057
American Home Shield	76,770	26,217	63,432
Other Operations and Headquarters	2,382	(2,393)	(60,277)
Total Comparable Operating Performance	$ 412,767	$ 120,608	$ 208,385
Memo: Items included in Comparable Operating Performance			
Restructuring charges and Merger related charges (1)	$ 9,910	$ 8,669	$ 58,350
Management fee (2)	$ 1,500	$ 375	$
Memo: Items excluded from Comparable Operating Performance			
Comparable Operating Performance of InStar	$ (2,502)	$ (3,207)	$ (5,739)
Comparable Operating Performance of all other discontinued operations	2,296	(111)	326
Comparable Operating Performance of discontinued operations	$ (206)	$ (3,318)	$ (5,413)

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

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

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

(In thousands)	TruGreen LawnCare	TruGreen LandCare	Terminix	American Home Shield	Other Operations and Headquarters	Total
Successor nine months ended September 30, 2008						
Operating income (loss) (1)	$ 85,914	$ (925)	$ 133,591	$ 14,606	$ (18,638)	$ 214,548
Depreciation and amortization expense	66,490	8,177	44,611	36,539	16,490	172,307
EBITDA before adding back interest and net investment income	152,404	7,252	178,202	51,145	(2,148)	386,855
Interest and net investment loss (2)				(651)	(986)	(1,637)
Adjusted EBITDA	152,404	7,252	178,202	50,494	(3,134)	385,218
Non-cash option and restricted stock expense					5,137	5,137
Non-cash charges (credits) attributable to purchase accounting (3)	33	(488)	(3,788)	26,276	379	22,412
Comparable Operating Performance	$ 152,437	$ 6,764	$ 174,414	$ 76,770	$ 2,382	$ 412,767
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related charges (4)	$ 315	$ 382	$ 57	$ 493	$ 8,663	$ 9,910
Management fee (5)	$	$	$	$	$ 1,500	$ 1,500
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (2,502)	$ (2,502)
Comparable Operating Performance of all other discontinued operations					2,296	2,296
Comparable Operating Performance of discontinued operations	$	$	$	$	$ (206)	$ (206)
Successor period July 25, 2007 to September 30, 2007						
Operating income (loss) (1)	$ 48,027	$ (4,434)	$ 21,661	$ (4,327)	$ (10,373)	$ 50,554
Depreciation and amortization expense	37,683	2,864	11,305	9,363	4,406	65,621
EBITDA before adding back interest and net investment income	85,710	(1,570)	32,966	5,036	(5,967)	116,175
Interest and net investment income (2)				316	3,574	3,890
Adjusted EBITDA	85,710	(1,570)	32,966	5,352	(2,393)	120,065
Non-cash option and restricted stock expense						
Non-cash (credits) charges attributable to purchase accounting (3)	(19,353)	(30)	(939)	20,865		543

Comparable Operating Performance	$ 66,357	$ (1,600)	$ 32,027	$ 26,217	$ (2,393)	$ 120,608
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related charges (4)	$	$ 2,826	$	$	$ 5,843	$ 8,669
Management fee (5)	$	$	$	$	$ 375	$ 375
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (3,207)	$ (3,207)
Comparable Operating Performance of all other discontinued operations					(111)	(111)
Comparable Operating Performance of discontinued operations	$	$	$	$	$ (3,318)	$ (3,318)

Predecessor period January 1, 2007 to July 24, 2007						
Operating income (loss) (1)	$ 75,656	$ (2,206)	$ 109,461	$ 35,582	$ (74,561)	$ 143,932
Depreciation and amortization expense	8,552	3,171	10,596	3,687	6,408	32,414
EBITDA before adding back interest and net investment income	84,208	965	120,057	39,269	(68,153)	176,346
Interest and net investment income (2)				24,163	4,461	28,624
Adjusted EBITDA	84,208	965	120,057	63,432	(63,692)	204,970
Non-cash option and restricted stock expense					3,415	3,415
Non-cash charges attributable to purchase accounting (3)						
Comparable Operating Performance	$ 84,208	$ 965	$ 120,057	$ 63,432	$ (60,277)	$ 208,385
Memo: Items included in Comparable Operating Performance						
Restructuring charges and merger related charges (4)	$	$	$	$	$ 58,350	$ 58,350
Management fee (5)	$	$	$	$	$	$
Memo: Items excluded from Comparable Operating Performance						
Comparable Operating Performance of InStar	$	$	$	$	$ (5,739)	$ (5,739)
Comparable Operating Performance of all other discontinued operations					326	326
Comparable Operating Performance of discontinued operations	$	$	$	$	$ (5,413)	$ (5,413)

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

	Successor		**Predecessor**
(In thousands)	**Nine months ended Sept 30, 2008**	**July 25, 2007 to Sept. 30, 2007**	**Jan. 1, 2007 to July 24, 2007**
Total segment operating income	$ 214,548	$ 50,554	$ 143,932
Non-operating expense (income):			
Interest expense	256,897	78,257	31,643
Interest and net investment loss (income)	1,637	(3,890)	(28,624)
Minority interest and other expense, net	418	102	3,532

(Loss) income from Continuing Operations before income taxes	$ (44,404)	$ (23,915)	$ 137,381
(Benefit) provision for income taxes	(8,341)	(9,136)	51,692
(Loss) income from Continuing Operations	$ (36,063)	$ (14,779)	$ 85,689
Loss from discontinued operations, net of income taxes	(4,670)	(2,590)	(4,588)
Net (loss) income	$ (40,733)	$ (17,369)	$ 81,101

(2)

Interest and net investment income is primarily comprised of investment income and realized gains/losses on our American Home Shield ("AHS") segment investment portfolio. Cash, short-term and long-term marketable securities associated with regulatory requirements in connection with AHS and for other purposes totaled approximately $294 million as of September 30, 2008. As further described in "Operating and Non-Operating Expenses", AHS interest and net investment (loss) income was ($0.7) million for the nine months ended September 30, 2008, $0.3 million for the Successor Period from July 25 to September 30, 2007 and $24.2 million for the Predecessor Period from January 1, 2007 to July 24, 2007. The balance of interest and net investment income primarily relates to (i) a portion of the earnings generated by ServiceMaster Acceptance Company Limited Partnership, our financing subsidiary exclusively dedicated to providing financing to our franchisees and retail customers of our operating units; (ii) investment income from our employee deferred compensation trust (for which there is a corresponding and offsetting increase in compensation expense within operating income); and (iii) interest income on other cash balances.

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

(4) Includes (i) severance and employee retention costs and costs related to the consolidation of our corporate headquarters in Memphis, Tennessee, including the closing of our office in Downers Grove, Illinois, (ii) costs to exit leases and severance payments related to organizational changes within the TruGreen LandCare operations, (iii) Merger related charges and (iv) charges related to Fast Forward.

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

TruGreen LawnCare Segment

LawnCare reported a 0.6 percent increase in revenue, a 30.5 percent decrease in operating income and a 1.2 percent increase in Comparable Operating Performance for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. The revenue results were favorably impacted by additional seasonal sales of ice-melt materials, improved price realization and increased customer counts. LawnCare experienced a 2.4 percent decline in new unit sales and a 70 basis point increase in its rolling twelve-month retention rate from last year resulting in an overall 1.3 percent increase in customer counts from last year's level. The trends in new sales and retention were adversely impacted by soft consumer demand in the first-half of 2008. The decrease in new sales was also impacted by poor weather in early 2008.

The 1.2 percent increase in Comparable Operating Performance for the nine months ended September 30, 2008 compared to 2007 also reflects increased fuel and fertilizer costs offset, in part, by reduced overhead spending.

TruGreen LandCare Segment

LandCare reported a 24.4 percent decrease in revenue, an 86.1 percent decrease in operating loss and a 1,165.2 percent increase in Comparable Operating Performance for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. The decline in revenue included a 22.1 percent decline in base contract maintenance revenue, a 23.9 percent decrease in enhancement revenue, and an $8.0 million decrease in snow removal service revenue. The revenue comparison was adversely impacted by branch closures completed during the third quarter of 2007, as well as the impacts of LandCare's efforts to improve the quality of its customer base with a better customer mix by pruning less profitable jobs, implementing stricter pricing on new sales, and increasing the average size of new proposals and sales. In addition, new sales and enhancement revenue trends were adversely impacted by soft consumer demand in 2008.

The Comparable Operating Performance improved $7.4 million for the nine months ended September 30, 2008 compared to 2007 primarily due to improved materials and labor management on the base contract maintenance portfolio and reduced overhead spending. These factors were offset, in part, by increased fuel costs.

Terminix Segment

The Terminix segment reported comparable revenue for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. Revenue for the nine months ended September 30, 2008 and the Successor Period from July 25, 2007 to September 30, 2007 has been reduced by $3.3 million (non-cash) and $2.7 million (non-cash), respectively, as a result of recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, Terminix reported comparable revenue for the nine months ended September 30, 2008. Terminix reported a 1.9 percent increase in operating income and a 14.7 percent increase in Comparable Operating Performance for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. The segment's overall revenue results, excluding purchase accounting, reflected modest growth in pest control revenues and termite contract renewals, offset by a decrease in revenue from termite completions. Pest control revenues increased 2.3 percent for the nine months ended September 30, 2008, as the impact of acquisitions and price realization more than offset a decrease in new unit sales. A 0.8 percent increase in termite renewal revenues for the nine months ended September 30, 2008 was supported by price realization offset by a 10 basis point reduction in termite customer retention. Revenue from termite completions declined 4.5 percent for the nine months ended September 30, 2008, as reduced termite swarm activity negatively impacted demand for services and due to reduced average pricing on new termite treatments.

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

American Home Shield Segment

The American Home Shield segment reported a 4.5 percent increase in revenue for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. Revenue for the nine months ended September 30, 2008 and the Successor Period from July 25 to September 30, 2007 has been reduced by $30.8 million (non-cash) and $28.1 million (non-cash), respectively, as a result of recording deferred revenue at its fair value in connection with purchase accounting. Excluding this impact of purchase accounting, revenue increased 4.8 percent for the nine months ended September 30, 2008. American Home Shield reported a 53.3 percent decrease in operating income and a 14.4 percent decrease in Comparable Operating Performance for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. Total new contract sales and renewal units, which are reported as earned revenue over the subsequent twelve-month contract period, decreased 1.3 percent. Contract unit sales from customer renewals increased 5.5 percent, reflecting a comparable base of renewable customers and a 40 basis point improvement in retention. American Home Shield's sales in the real estate channel were significantly impacted by the continued softness in the home resale market throughout most of the country with overall unit sales declines of 17.9 percent through this channel.

The decrease in Comparable Operating Performance for the nine months ended September 30, 2008 also includes a $25.1 million decrease in interest and net investment income from the American Home Shield investment portfolio (primarily reflecting the unfavorable impact of realized losses on disposals of securities and other than temporary declines in the value of certain investments) as compared to 2007 and increased provisions for certain legal matters partially offset by the beneficial impacts of increases in prices and service fees per claim.

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment reported a 3.3 percent increase in revenue, a 78.1 percent decrease in operating loss and a 103.8 percent increase in Comparable Operating Performance for the nine months ended September 30, 2008 compared to the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007. The ServiceMaster Clean and Merry Maids operations reported a combined 3.8 percent increase in revenue for the nine months ended September 30, 2008. The growth in revenue resulted from strong increases in disaster restoration services and franchise revenues, offset in part by decreases in product sales. The

ServiceMaster Clean and Merry Maids operations reported a combined increase in operating income of 0.6 percent and an increase in Comparable Operating Performance of 14.8 percent, or $6.6 million, for nine months ended September 30, 2008. The increase in the segment's Comparable Operating Performance for the nine months ended September 30, 2008 compared to 2007 of $65.1 million primarily reflects the decrease in Restructuring and Merger related charges incurred in 2008, increased Comparable Operating Performance from the ServiceMaster Clean and Merry Maids operations resulting from increased revenue and lower functional support costs.

Discontinued Operations

The components of loss from discontinued operations, net of income taxes, and the reconciliation of operating (loss) income to Adjusted EBITDA and Comparable Operating Performance for the nine months ended September 30, 2008, the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007 are as follows:

	Successor		Predecessor
(In thousands)	**Nine months ended Sept. 30, 2008**	**July 25, 2007 to Sept. 30, 2007**	**Jan. 1, 2007 to July 24, 2007**
Operating loss	$ (206)	$ (4,304)	$ (7,617)
Interest expense	(73)	(9)	(38)
Impairment charge	(6,317)		
Pretax loss	$ (6,596)	(4,313)	(7,655)
(Benefit) from income taxes	(2,513)	(1,723)	(3,067)
Loss on sale, net of tax	(587)		
Loss from discontinued operations, net of income taxes	$ (4,670)	$ (2,590)	$ (4,588)
Operating loss	$ (206)	$ (4,304)	$ (7,617)
Depreciation and amortization expense		986	2,204
EBITDA before adding back interest and investment income, net	(206)	(3,318)	(5,413)
Interest and net investment income			
Adjusted EBITDA	(206)	(3,318)	(5,413)
Non-cash option and restricted stock expense			
Non-cash charges attributable to purchase accounting			
Comparable Operating Performance of discontinued operations	$ (206)	$ (3,318)	$ (5,413)

During the third quarter of 2008, the Company completed the sale of InStar for $22.9 million, with the payment of $3.0 million of that amount deferred until November 2011. During the second quarter of 2008, the Company recorded a pre-tax impairment charge of $6.3 million as a result of a change in our fair value estimate of InStar's net assets based on changing market conditions and the ongoing sales process. Upon the sale of InStar the Company recorded a loss on sale, net of tax, of $0.6 million. The purchase price noted above is subject to a final adjustment based on closing date working capital balances at InStar. These closing balances are subject to review by the Company. The loss on sale noted above includes an estimated adjustment for the closing date working capital balances. However, this amount could change pending the completion of the review.

FINANCIAL POSITION AND LIQUIDITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

Cash Flows from Operating Activities from Continuing Operations

Net cash provided from operating activities from continuing operations was $51.7 million in the nine months ended September 30, 2008 compared to $33.6 million and $195.5 million in the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007.

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

Decrease in net income before merger related charges, restructuring charges and non-cash charges	(115.4)
Increase in restructuring payments	(2.9)
Increase in working capital requirements	(59.1)
	(177.4)

The decrease in net income before merger related charges, restructuring charges and non-cash charges for the nine months ended September 30, 2008 was driven by increased interest payments offset by Comparable Operating Performance growth at Terminix, TruGreen LandCare, TruGreen LawnCare and Other Operations and Headquarters. The increase in working capital requirements for the nine months ended September 30, 2008 was driven primarily by reduced accruals for bonuses and change in control severance payments related to the Merger and decreased customer prepayments offset by a shift in the timing of advertising payments as compared to the 2007 period.

Cash Flows from Investing Activities from Continuing Operations

Net cash used for investing activities from continuing operations was $26.3 million in the nine months ended September 30, 2008. Amounts paid in connection with the Merger decreased $4,868.6 million. Amounts paid in connection with the Merger in 2008 were primarily related to payments under change in control agreements.

Capital expenditures increased to $75.2 million for the nine months ended September 30, 2008 from $7.8 million and $26.6 million in the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively, and included recurring capital needs and information technology projects. In addition, the Company paid approximately $49.9 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time. The Company anticipates that capital expenditures for the remainder of 2008 will total approximately $10 million to $20 million, reflecting the continuation of investments in information systems and productivity enhancing operating systems.

Acquisitions for the nine months ended September 30, 2008 totaled $27.5 million, compared with $4.0 million and $25.5 million in the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, respectively. Consideration paid for tuck-in acquisitions consisted of cash payments and seller financed debt. The Company expects to continue its tuck-in acquisition program at both Terminix and LawnCare.

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

Cash Flows from Financing Activities from Continuing Operations

During the nine months ended September 30, 2008 the Company made borrowings of $347 million and repayments of $182 million under our Revolving Credit Facility. In September 2008, the Company borrowed $165 million under the Revolving Credit Facility and transferred $10 million of interests under its receivables sales arrangement to increase the Company's cash position to preserve its financial flexibility in light of the current uncertainty in the credit markets. ServiceMaster invested $150 million of the borrowings in money market funds which are invested in short-term U.S. Government securities. During the nine months ended September 30, 2008, the Company paid debt issuance costs of $26.6 million related to the conversion of the amounts outstanding under the Interim Loan Facility into the Notes. The Company also made scheduled principal payments of long-term debt of $45 million in the nine months ended September 30, 2008. Borrowings and payments of debt during the Successor Period from July 25 to September 30, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007 were primarily related to the funding of seasonal working capital needs through the Company's revolving bank credit facility and the proceeds from debt incurred in connection with the merger, net of issuance costs, of $3,699.2 million. The Company also received cash equity contributions in connection with the Merger of $1,431.1 million.

Cash dividends paid to shareholders totaled $70.1 million for the Predecessor period from January 1, 2007 to July 24, 2007. No dividends were paid to the Company's shareholder in the nine months ended September 30, 2008 and the Successor period from July 25, 2007 to September 30, 2007. During the Predecessor period from January 1, 2007 to July 24, 2007, the Company received proceeds of $36.1 million under an employee share purchase plan. The employee share purchase plan was terminated subsequent to the Merger.

Liquidity

The Merger was completed on the Closing Date. Following the completion of the Merger, the Company is highly leveraged, and a very substantial portion of the Company's liquidity needs arise from debt service on indebtedness incurred in connection with the Merger and from funding the Company's operations, working capital and capital expenditures. Equity contributions totaling $1,431 million from the Equity Sponsors, together with (i) borrowings under the $1,150 million Interim Loan Facility, (ii) borrowings under a new $2,650 million senior secured term loan facility and (iii) cash on hand at ServiceMaster, were used, among other things, to finance the aggregate Merger Consideration, to make payments in satisfaction of other equity-based interests in ServiceMaster under the Merger Agreement, to settle existing interest rate swaps, to redeem or provide for the repayment of certain of the Company's existing indebtedness and to pay related transaction fees and expenses. In addition, letters of credit issued under a new $150 million pre-funded letter of credit facility were used to replace and/or secure letters of credit previously issued under a ServiceMaster credit facility that was terminated as of the Closing Date. On the Closing Date, the Company also entered into, but did not draw under, the $500 million Revolving Credit Facility.

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

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

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

Cash and short-and long-term marketable securities totaled approximately $504 million at September 30, 2008, compared with approximately $475 million at December 31, 2007. Approximately $294 million of the cash and short- and long-term marketable securities balance as of September 30, 2008 is associated with regulatory requirements at American Home Shield and for other purposes. For example, the payment of ordinary and extraordinary dividends to ServiceMaster by our subsidiaries that are regulated as insurance, home warranty or similar companies, is subject to applicable state law limitations. AHS'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. In the ordinary course of business the Company reviews the statutory reserve requirements to which its regulated entities are subject and may adjust its reserves accordingly. These reviews may result in identifying excess reserves over minimum statutory reserve requirements or a determination that the Company can satisfy certain regulatory reserve requirements through alternate financial vehicles, both of which would enhance our liquidity.

The Company maintains lease facilities with banks totaling $65 million, which provide for the financing of branch properties to be leased by the Company. At September 30, 2008, approximately $65 million was funded under these facilities. Approximately $12 million of these leases are treated as capital leases and have been included on the balance sheet as assets with related debt as of September 30, 2008. The balance of the funded amount is treated as operating leases. The Company has guaranteed the residual value of the properties under the leases up to 73 percent of the fair market value at the commencement of the lease. At September 30, 2008, the Company's residual value guarantee related to the leased assets totaled $53 million for which the Company has recorded the estimated fair value of this guarantee (approximately $0.1 million) in the Condensed Consolidated Statements of Financial Position. In connection with the closing of the Merger, the Company amended these leases effective July 24, 2007. Among the modifications, the Company extended the lease terms through July 24, 2010. The operating lease and capital lease classifications of these leases did not change as a result of the modifications.

The majority of the Company's vehicle fleet and some equipment are leased through operating leases. The lease terms are non-cancelable for the first twelve-month term, and then are month-to-month, cancelable at the Company's option. There are residual value guarantees by the Company (ranging from 70 percent to 84 percent of the estimated terminal value at the inception of the lease depending on the agreement) relative to these vehicles and equipment, which historically have not resulted in significant net payments to the lessors. At September 30, 2008, there was approximately $114 million of residual value relating to the Company's fleet and equipment leases. The fair value of the assets under all of the fleet and equipment leases is expected to substantially mitigate the Company's guarantee obligations under the agreements. At September 30, 2008, the Company has recorded the estimated fair value of this guarantee of approximately $2.1 million in the Condensed Consolidated Statement of Financial Position. The Company's primary vehicle fleet lessor has elected not to renew its current agreement with the Company, which expires December 21, 2008. This election will not affect vehicle leases in place with this lessor prior to expiration of the agreement. We expect to fulfill our ongoing vehicle fleet needs through alternative financing arrangements, including new leasing agreements with other lessors, or through direct purchases of vehicles. The Company's expected capital requirement for fleet vehicles in 2009 is expected to range from $30 million to $50 million.

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

Under the terms of its fuel swap contracts, the Company is required to post collateral in the event that the fair value of the contracts exceeds a certain agreed upon liability level. As of September 30, 2008, the fair value of the Company's fuel swap contracts was a liability of $4.4 million and the Company posted approximately $4.0 million in letters of credit as collateral for these contracts. The continued use of letters of credit for this purpose could limit the Company's ability to post letters of credit for other purposes and could limit the Company's borrowing availability under the Revolving Credit Facility. However, the Company does not expect the fair value of its outstanding fuel swap contacts to materially impact its financial position or liquidity.

The Company's ongoing liquidity needs are expected to be funded by net cash provided by operating activities and, as required, borrowings under the Revolving Credit Facility and receivables sales arrangements. We expect that cash provided from operations and available capacity under the Revolving Credit Facility and receivables sales arrangements will provide sufficient funds to operate our business, make expected capital expenditures and meet our foreseeable liquidity requirements, including payment of interest and principal on our debt. As of September 30, 2008, the Company had $335 million of remaining capacity available under the Revolving Credit Facility and $40 million of remaining capacity under the receivables sales arrangement.

The Company may from time to time repurchase or otherwise retire the Company's debt and take other steps to reduce the Company's debt or otherwise improve the Company's balance sheet. These actions may include open market repurchases, negotiated repurchases and other retirements of outstanding debt. The amount of debt that may be repurchased or otherwise retired will depend on market conditions, trading levels of the Company's debt from time to time, the Company's cash position and other considerations. Affiliates of the Company may also purchase the Company's debt from time to time, through open market purchases or other transactions. In such cases, the Company's debt may not be retired, in which case the Company would continue to pay interest in accordance with the terms of the debt.

In light of the uncertainty in the credit and financial markets, in September 2008, we borrowed $165 million under our existing $500 million Revolving Credit Facility to increase our cash position to preserve our financial flexibility. Although we are not currently experiencing any limitation of access to the Revolving Credit Facility and are not aware of any issues currently impacting the ability of the lenders under them to honor their commitments to extend credit, there is no assurance that the U.S. and global credit crisis will not adversely affect our ability to borrow on the Revolving Credit Facility or otherwise in the future.

The Company has an arrangement to provide for the ongoing revolving sale of a designated pool of accounts receivable of TruGreen LawnCare and Terminix to a wholly-owned, bankruptcy-remote subsidiary, ServiceMaster Funding Company LLC. ServiceMaster Funding Company LLC has entered into an arrangement pursuant to which it may transfer, on a revolving basis, an undivided percentage ownership interest in a pool of accounts receivable to unrelated third party purchasers. ServiceMaster Funding Company LLC retains an undivided percentage interest in the pool of accounts receivable and bad debt losses for the entire pool are allocated first to this retained interest. During the third quarter of 2008 an interest in the pool of accounts receivable was transferred to a third party in exchange for $10 million to increase our cash position to preserve our financial flexibility in light of the uncertainty in the credit and financial markets. During the Successor Period from July 25, 2007 to September 30, 2007, the Predecessor Period from July 1, 2007 to July 24, 2007 and the Predecessor Period from January 1, 2007 to July 24, 2007, there were no transfers of interests in the pool of accounts receivables to third parties under this arrangement. The arrangement is a 364-day facility that is renewable at the option of ServiceMaster Funding Company LLC, with a final termination date of July 17, 2012. The Company may transfer up to $50 million of interests in its pool of receivables to third party purchasers and therefore has immediate access to cash proceeds from these transfers. The amount of the eligible receivables varies during the year based on seasonality of the business and could, at times, limit the amount available to the Company from the sale of these interests. There are two potential third party purchasers under the arrangement. However, only one purchaser is required to purchase interests in the pool of receivables under the arrangement. If this purchaser were to exercise its right to terminate its participation in the arrangement, which it may do in the third quarter of each year, the amount of cash available to the Company may be reduced or eliminated. The purchaser did not exercise its right to terminate its participation in the arrangement in the third quarter of 2008.

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

The Company's 2007 Annual Report on Form 10-K included disclosure of the Company's contractual obligations and commitments as of December 31, 2007. The Company continues to make the contractually required payments and therefore, the 2008 obligations and commitments as listed in the December 31, 2007 Annual Report on Form 10-K have been reduced by the required payments. Other than the $165 million drawn under the Revolving Credit Facility discussed in " Liquidity," there were no material changes outside of ordinary course of business in the Company's previously disclosed contractual obligations and commitments during the nine months ended September 30, 2008. See page 61 below for a listing of the Company's contractual obligations and commitments as of December 31, 2007.

Financial Position Continuing Operations

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

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

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

These costs vary with and are directly related to a new sale, and are amortized over the life of the related contract.

Property and equipment increased from year-end levels due to the payment of $49.9 million to acquire assets in connection with exiting certain of its fleet leases. The Company has no additional material capital commitments at this time.

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

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

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

Total shareholder's equity was $1,259 million at September 30, 2008 as compared to $1,304 million at December 31, 2007.

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. Assets and liabilities from discontinued operations have decreased reflecting the sale of the InStar business.

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

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

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

Operating income was $143.9 million in the period from January 1 to July 24, 2007 and $33.2 million in the period from July 25 to December 31, 2007 compared to $324.1 million in the year ended December 31, 2006. (Loss) Income from continuing operations before income taxes was $137.4 million in the period from January 1 to July 24, 2007 and ($148.5) million in the period from

July 25 to December 31, 2007 compared to income from continuing operations before income taxes of $280.5 million in the year ended December 31, 2006. The decrease in (Loss) Income from continuing operations before income taxes as compared to the year ended December 31, 2006 primarily reflects the net effect of:

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

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

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

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

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

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

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

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

Operating and Non-Operating Expenses

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

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

Amortization expense was $5.2 million for the period from January 1 to July 24, 2007 and $132.7 million for the period from July 25 to December 31, 2007 compared to $7.2 million for the year ended December 31, 2006. The increase reflects $128.5 million of amortization for the period from July 25 to December 31, 2007 related to recording amortizable intangible assets of $861 million in purchase accounting.

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

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

Restructuring and Merger Related Charges

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

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

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

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

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

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

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

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

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

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

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

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

operations

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

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

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

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

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

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

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

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

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

TruGreen LawnCare Segment

The TruGreen LawnCare segment, which includes lawn, tree and shrub care services, reported a 4.4 percent increase in revenue, a 25.3 percent decrease in operating income and an 8.3 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The growth in revenue and Comparable Operating Performance was supported by improved price realization and continued improvements in customer retention. Customer counts at December 31, 2007 were 2 percent higher than last year's level. Improved customer retention helped offset a 0.3 percent decline in new sales, which were adversely impacted by poor April weather. The rolling twelve-month retention rate improved 220 basis points over last year, driven by improvements in overall quality of service delivery and enhanced customer communication, including the Lawn Quality Audit (LQA) visits initiated during the second half of 2006. The Company believes that improvement in customer retention can be achieved over the next several years as it expands the LQA program, focuses its efforts on reducing route manager turnover and continues to improve overall communication with customers. Additionally, the lawn care operations realized improvements in average pricing as compared to 2006.

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

TruGreen LandCare Segment

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

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

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

Terminix Segment

The Terminix segment, which includes termite and pest control services, reported a 1.5 percent increase in revenue for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. Revenue for the period from July 25 to December 31, 2007 has been reduced by $5.3 million (non-cash) as a result of recording deferred revenue at its fair value in connection with purchase accounting. This only impacts revenue and operating income as the non-cash effects attributable to purchase accounting are excluded from Comparable Operating Performance. Excluding purchase accounting, revenue increased 2.0 percent for the combined periods for the year ended December 31, 2007 over the year ended December 31, 2006. Terminix reported a 4.3 percent increase in operating income and a 16.5 percent increase in Comparable Operating Performance for the combined periods for the year ended December 31, 2007, compared to the year ended December 31, 2006. The segment's overall revenue growth reflected strong growth in pest control revenues and increases in termite contract renewals, offset, in part, by a double digit percentage decline in revenue from termite completions. Pest control revenues increased 8.1 percent for the combined periods for the year ended December 31, 2007 as compared to the year ended December 31, 2006, as the impact of acquisitions more than offset a decrease in new unit sales. In October 2006, Terminix acquired SafeGuard Pest Control, a company with annual revenues of over $23 million. A 3.5 percent increase in renewal revenues for the combined periods for the year ended December 31, 2007 was supported by improved pricing and a 10 basis point improvement in termite customer retention.

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

American Home Shield Segment

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

Other Operations and Headquarters Segment

This segment includes the operations of ServiceMaster Clean and Merry Maids, as well as the Company's headquarters functions. The segment reported an 9.0 percent increase in revenue for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The ServiceMaster Clean and Merry Maids franchise operations reported a combined 9.6 percent increase for the combined periods for the year ended December 31, 2007. The growth in revenue resulted from strong increases in product sales and disaster restoration services, as well as the impact of acquisitions at Merry Maids. The ServiceMaster Clean and Merry Maids franchise operations reported a combined decrease in operating income of 0.7 percent and an increase in Comparable Operating Performance of 10.0 percent for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006. The decrease in the segment's Comparable Operating Performance for the combined periods for the year ended December 31, 2007 compared to the year ended December 31, 2006 primarily reflects the Merger related expenses incurred in 2007 and an increase in restructuring charges in 2007 over 2006 levels, offset, in part, by increased profits from the ServiceMaster Clean and Merry Maids operations.

Discontinued Operations

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

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

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

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

2006 Compared with 2005

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

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

The Company continued to experience significant increases in some of its key factor costs. Unusually rapid increases in fuel, health care, and interest costs had a combined adverse impact relative to 2005 of approximately $36 million pretax. With respect to fuel, the Company's fleet, which consumes roughly 30 million gallons annually, continued to be negatively impacted by significant increases in oil prices. Each year, the Company hedges approximately two-thirds of its estimated annual fuel usage. Fuel costs, after the impacts of the hedges, increased approximately $13 million pretax in 2006.

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

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

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

Restructuring Charges

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

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

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

Operating and Non-Operating Expenses

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

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

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

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

Segment Review (2006 vs 2005)

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

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

Key Performance Indicators

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

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

TruGreen LawnCare Segment

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

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

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

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

TruGreen LandCare Segment

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

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

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

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

Terminix Segment

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

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

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

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

American Home Shield Segment

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

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

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

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

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

Other Operations and Headquarters Segment

The Other Operations and Headquarters segment includes the operations of ServiceMaster Clean and Merry Maids, as well as the Company's headquarters functions. Revenue in this segment increased to $196 million in 2006 compared with $177 million in 2005. The ServiceMaster Clean and Merry Maids franchise operations reported a combined growth in revenue of 12 percent, driven by continued strong increases in disaster restoration and solid internal revenue growth in residential maid service. The overall segment operating loss and Comparable Operating Performance for 2006 was ($47.9) million and ($20.5) million, respectively, compared with ($52.5) million and ($32.6) million in 2005, respectively. Included in the 2006 Comparable Operating Performance are restructuring charges totaling $21.6 million. The segment's operating loss and Comparable Operating Performance improved despite the inclusion of the restructuring charges, primarily reflecting continued favorable trending of prior year insurance claims, lower overhead support costs and incentive compensation expense, and increased profits from the combined franchise operations, offset in part by the aforementioned restructuring charges.

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

Discontinued Operations

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

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

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

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

Cash Flows from Operating Activities from Continuing Operations

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

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

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

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

Cash Flows from Investing Activities from Continuing Operations

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

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

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

Cash Flows from Financing Activities from Continuing Operations

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

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

Liquidity

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

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

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

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

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

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

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

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

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

(1) These amounts represent future interest payments related to the Company's existing debt obligations based on fixed and variable interest rates specified in the associated debt agreements. Payments related to variable debt are based on applicable rates at December 31, 2007 plus the specified margin in the associated debt agreements for each period presented. The amounts provided relate only to existing debt obligations and assumes the interim loan under the Interim Loan Facility is converted under the current terms in 2008 through maturity in 2015. T