SERVICEMASTER CO
Form 11-K
June 28, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

__X__ Annual Report Pursuant to Section 15(d)
Of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2000

or

_____Transition Report Pursuant to Section 15(d)
Of the Securities Exchange Act of 1934

For the Transition Period from _____________ to _____________

Commission File Number 1-14762

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN
Full Title of Plan

THE SERVICEMASTER COMPANY
One ServiceMaster Way
DOWNERS GROVE, ILLINOIS 60515
Name of Issuer of the
Securities Held Pursuant to the Plan
And the Address of the Principal Executive Office

1

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee and Plan administrators have duly caused this annual report to be signed by the undersigned thereunto duly authorized.

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

By: ____
DEBORAH A. O'CONNOR

SENIOR VICE PRESIDENT AND CONTROLLER

By: ____
ERIC R. ZARNIKOW
SENIOR VICE PRESIDENT AND TREASURER

Date: June 25, 2001

2

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

Financial Statements and Schedules
As of December 31, 2000 and 1999
Together With Auditors' Report

Employer Identification Number 36-3858106
Plan Number 001

3

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

DECEMBER 31, 2000 AND 1999

(EMPLOYER IDENTIFICATION NUMBER 36-3858106, PLAN NUMBER 001)

TABLE OF CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Benefits Administration Committee of the
ServiceMaster Profit Sharing and Retirement Plan

We have audited the accompanying statements of net assets available for benefits of the ServiceMaster Profit Sharing and Retirement Plan as of December 31, 2000 and 1999, and the related statement of changes in net assets available for benefits for the year ended December 31, 2000. These financial statements are the responsibility of the Plan's Benefits Administration Committee. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the ServiceMaster Profit Sharing and Retirement Plan as of December 31, 2000 and 1999, and the changes in net assets available for benefits for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets Held for Investment Purposes at End of Year and Schedule of Reportable Transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's Benefits Administration Committee. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chicago, Illinois
June 25, 2001

EXHIBIT I

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2000 AND 1999

(EMPLOYER IDENTIFICATION NUMBER 36-3858106, PLAN NUMBER 001)

	2000	1999
ASSETS:		

Investments (Note 3)	$358,759,484	$341,971,365
Non-interest-bearing cash	49,311	32,675
Receivables-		
Employer contribution	11,164,390	10,689,819
Participant contributions	-	568,587
Total receivables	11,164,390	11,258,406
NET ASSETS AVAILABLE FOR BENEFITS	$369,973,185	$353,262,446

The accompanying Notes to Financial Statements and Schedules are an integral part of these statements.

EXHIBIT II

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000
(EMPLOYER IDENTIFICATION NUMBER 36-3858106, PLAN NUMBER 001)

ADDITIONS:	
Additions to net assets attributed to-	
Investment income-	
Net depreciation in fair value of investments	$ (1,073,539)
Interest	757,346
Dividends	3,602,402
Total investment income	3,286,209
Contributions-	
Participant	29,737,045
Employer	11,157,173
Rollover	2,738,859
Total contributions	43,633,077
Total additions	46,919,286

DEDUCTIONS:	
Deductions from net assets attributed to-	
Benefits paid to participants	(38,322,943)
Other expenses	(18,427)
Total deductions	(38,341,370)
TRANSFERS TO THE PLAN (Note 1)	8,736,326
TRANSFER FROM THE PLAN (Note 1)	(603,503)
Net increase	16,710,739
NET ASSETS AVAILABLE FOR BENEFITS:	
Beginning of year	353,262,446
End of year	$369,973,185

The accompanying Notes to Financial Statements and Schedules are an integral part of this statement.

7

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS AND SCHEDULES

DECEMBER 31, 2000 AND 1999

1. DESCRIPTION OF PLAN

The ServiceMaster Profit Sharing and Retirement Plan (the "Plan") is a defined contribution plan established by The ServiceMaster Company (the "Company") and its affiliates and subsidiaries to whom the Plan has been extended to provide eligible employees with a program to save for retirement. The Plan was amended and restated effective as of July 1, 1999. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

2000 PLAN CHANGES

During 2000, the Benefits Administration Committee (the "Committee") resolved to merge the following plans into the Plan effective between May

1, 2000, through November 1, 2000:

Hutchinson Technology Incorporated 401-K Plan	$3,280,516
Southwest Lawn Maintenance, Inc. Profit Sharing Plan	10,947
Landscape Techniques, Inc. 401(k) Profit Sharing Plan	407,734
Servicescape Profit Sharing Plan	303,311
E/G Management, Inc. 401(k) Plan	172,641
Four Seasons, Inc. 401(k) Retirement Plan	1,029,877
Schumacher Landscaping, Inc. 401(k) Retirement Plan	379,985
Albuquerque Grounds Maintenance, Inc. 401(k) Profit Sharing Plan	127,886
Trees, Inc. 401(k) Retirement and Savings Plan	886,914
Greentree 401(k) Savings Plan	102,580
Corporate & Commercial Services, Inc. 401(k) Plan	39,753
Landscape Resources, Inc. 401(k) Profit Sharing Plan	522,112
Arteka Corporation Profit Sharing Plan and Trust	428,293
Pennink Arrimour, Inc. 401(k) Plan	1,043,777
Total transfers to the Plan	$8,736,326

In addition, Diversified Health Systems ("DHS"), a subsidiary of the Company was sold. Accordingly, balances of participating DHS employees were transferred from the Plan.

ELIGIBILITY

Full and part-time nonunion employees who have completed one year of service and are at least 18 years of age are eligible to participate in the Plan. Subsequent to December 31, 2000, the Plan was amended to reduce the service period requirement from one year to 90 days. Leased employees and employees who are or who become covered by a collective

bargaining agreement, which do not allow for Plan participation, are not eligible to participate in the Plan.

PARTICIPANT CONTRIBUTIONS

Participants may elect to contribute a minimum of 1% up to a maximum of 15% of pretax annual compensation, as defined in the Plan, subject to certain limitations. The first 4% of pretax compensation (base contribution) contributed to the Plan is eligible for an employer matching contribution. Participants may also contribute amounts representing distributions from other qualified plans. Participants direct the investment of their contributions into various investment options offered by the Plan, which currently consist of a ServiceMaster Company stock fund, six mutual funds and three common/collective trust funds.

EMPLOYER CONTRIBUTIONS

The Company's contribution is discretionary and the amount of contribution from Company profits is determined each year by the Board of Directors after a review of the overall financial performance of ServiceMaster and the key business units. The matching contribution may differ for different employee groups. One-half of the Company matching contribution is invested directly in the ServiceMaster Company common stock fund and the other one-half is invested according to the participants' direction.

PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution, (b) Plan earnings (c) and forfeitures. The participant's accounts are charged with administrative fees, where applicable. Allocations are based on participant contributions or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

VESTING

Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's contribution is based on the following schedule, except for in the event of death or permanent disability, in which case the participant becomes immediately vested:

COMPLETED YEARS OF SERVICE	PERCENT VESTED
Less than 2 years of service	0%
2 years of service but less than 3	25
3 years of service but less than 4	50
4 years of service but less than 5	75
5 years of service or more	100

FORFEITURES

Forfeitures are used first to reinstate all rehired participants' forfeitures and then are allocated to eligible participants in the same manner as employer profit sharing contributions.

9

PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of $500 up to a maximum of the lesser of: (a) $50,000 or (b) 50% of their vested account balance (limited to the value of the participant's contributions and earnings thereon), minus their highest outstanding loan balance in the previous 12 months. A participant's loan is secured by the balance in the participant's account and bears interest at the prime interest rate as listed in THE WALL STREET JOURNAL on the first business day of the month in which the loan is issued, plus 1%.

BENEFIT PAYMENTS

A participant may elect to have the value of their vested account (minus any outstanding loan balance) distributed to them upon permanent disability, upon reaching normal retirement age (65), or upon termination of employment. A participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in their account, or monthly, quarterly, or annual installments for a specified number of years not to exceed the participant's life expectancy and that of their beneficiary. At the time of distribution, shares of ServiceMaster stock in the participant's account can be taken in kind or in cash.

TERMINATION OF THE PLAN

The Company currently intends to continue the Plan indefinitely. However, the Company has the right under the Plan to discontinue contributions and terminate the Plan at any time, subject to the provisions of ERISA. If the Plan is terminated, participants will become fully vested in their Company contributions account balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Plan are prepared under the accrual method of accounting.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Plan's Benefits Administration Committee to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. These estimates could differ from actual results.

INVESTMENT VALUATION AND INCOME RECOGNITION

The Plan's investments, other than the Putnam Stable Value Fund, are stated at fair value based on quoted market prices or estimated fair value as reported by the Plan's trustee. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end.

The Putnam Stable Value Fund invests primarily in guaranteed investment contracts or funding agreements and security-backed investment contracts or separate accounts issued or wrapped by insurance companies, banks, or other financial institutions (collectively referred to herein as "Investment Contracts"). Investment Contracts are carried at cost plus accrued

interest ("Book Value"). Investment Contracts will normally be held to maturity, and meet the fully benefit responsive requirements of the AICPA Statement of Position 94-4, "Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Pension Plans." The Book Value of Investment Contracts will be adjusted to reflect any issuer defaults or other evidence of impairment under an investment contract should they occur. The aggregate average crediting interest rate of the Investment Contracts as of December 31, 2000 and 1999, was 6.42%

and 6.45%, respectively. The aggregate average yield for the year ended December 31, 2000, was 5.95%. As of December 31, 2000 and 1999, 87.1% and 84.6%, respectively, of the Putnam Stable Value Fund's assets were invested in Investment Contracts, with the remainder of the assets invested in high-quality money market instruments. As of December 31, 2000 and 1999, the fair value of the Investment Contracts was $36,559,822 and $44,099,119, respectively.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

PAYMENT OF BENEFITS

Benefit payments are recorded when paid.

ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Plan to the extent not paid by the Company.

3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets as of December 31, 2000 and 1999:

	2000	
Putnam Bond Index Fund, 5,287,916 and 7,089,941 shares, respectively	$ 58,219,959	$
Putnam Investors Fund, 1,834,597 and 1,078,134 shares, respectively	28,381,220	
The George Putnam Fund of Boston CL Y, 2,859,395 and 1,865,626 shares, respectively	49,210,193	
The Putnam Fund for Growth & Income CL Y, 1,151,131 and 1,106,475 shares, respectively	22,516,115	
Putnam S&P 500 Index Fund, 771,205 and 543,528 shares, respectively	24,431,774	
Putnam Stable Value Fund, 41,580,768 and 53,092,315 shares, respectively	41,580,768	
ServiceMaster Company common stock, 9,475,214 and 9,090,898 shares, respectively	108,964,963*	

*Includes both participant and nonparticipant-directed amounts.

During 2000, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by $(1,073,539) as follows:

Mutual funds	$ 6,805,067
Common collective trust funds	(266,521)
Common stock	(7,612,085)
	$(1,073,539)

The Plan provides for various investments that, in general, are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

4. NONPARTICIPANT-DIRECTED INVESTMENT

Investment in the Plan is participant-directed, except that one-half of the Company's matching contribution is invested directly in The ServiceMaster Company common stock. Participants, at their discretion, may also direct their investment to The ServiceMaster Company common stock. The following information includes both participant and nonparticipant-directed investment balances. Information about the net assets of The ServiceMaster Company common stock fund as of December 31, 2000 and 1999, and the significant components of the changes in the net assets for the year ended December 31, 2000, is as follows:

	DECEMBER 31	
	2000	
Net assets-		
The ServiceMaster Company common stock	$108,964,963	$11

	YEAR ENDED DEC.31,2000
Changes in net assets-	
Additions-	
Contributions	$ 8,535,682
Dividends	3,602,402
Net transfers from participant-directed investments	1,605,846
Deductions-	
Benefits paid to participants	(8,956,792)
Transfers from the Plan	(141,770)
Net depreciation	(7,612,085)
Net change in net assets	$(2,966,717)

5. TAX STATUS OF THE PLAN

The Plan received a favorable determination letter from the Internal Revenue Service dated February 26, 1996. The Plan was amended and restated effective July 1, 1999. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the

plan administrator believes that the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

6. RELATED-PARTY TRANSACTIONS

The Plan invests in shares of mutual funds and interests in common collective trust funds managed by Putnam Fiduciary Trust Company ("PFTC"). PFTC acts as trustee and recordkeeper for the Plan. The Plan also invests in Company stock and allows loans to participants. These transactions qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

7. SUBSEQUENT EVENTS

The Committee resolved to merge the following plans into the Plan effective between February 15, 2001, and June 1, 2001:

Pennington Lawn Service, Inc. Profit Sharing and 401(k) Plan
Tenet Healthcare Corporation Retirement Savings Plan
The Southern Tree & Landscape Companies 401(k) Profit Sharing Plan
R.L. Company, Inc. Employee Retirement Plan
ABASH, Inc. 401(k) Plan
Showcase Landscape Inc. Employee Savings & Investment Plan
L. Care USA Inc. 401(k) Profit Sharing Plan and Trust
The Landscape West 401(k) Savings and Investment Plan
MDI/RPM 401(k) Plan

SCHEDULE I

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

SCHEDULE OF ASSETS HELD FOR INVESTMENT
PURPOSES AT END OF YEAR

DECEMBER 31, 2000

(EMPLOYER IDENTIFICATION NUMBER 36-3858106, PLAN NUMBER 001)

(A)	(B) IDENTITY OF ISSUE/ (C) DESCRIPTION OF INVESTMENT	(D) COST
	MUTUAL FUNDS:	
*	Putnam Investors Fund	N/A
*	The George Putnam Fund of Boston CL Y	N/A
*	The Putnam Fund for Growth & Income CL Y	N/A
	Vanguard Life Strategy Income Fund	N/A
	Vanguard Life Strategy Conservative Growth Fund	N/A
	Vanguard Life Strategy Growth Fund	N/A
	COMMON COLLECTIVE TRUST FUNDS:	
*	Putnam Bond Index Fund	N/A
*	Putnam S&P 500 Index Fund	N/A
*	Putnam Stable Value Fund	N/A
	EMPLOYER SECURITIES--common shares:	
*	The ServiceMaster Company common stock	$103,958,
	GUARANTEED INVESTMENT CONTRACT:	
	Massachusetts Mutual Life Insurance Company, 4.9%	401,
*	PARTICIPANT LOANS, 7.75% to 10.5%	N/A

*Represents a party-in-interest.

The accompanying Notes to Financial Statements and Schedules are an integral part of this schedule.

14

SCHEDULE II

SERVICEMASTER PROFIT SHARING AND RETIREMENT PLAN

SCHEDULE OF REPORTABLE TRANSACTIONS (A)

FOR THE YEAR ENDED DECEMBER 31, 2000

(EMPLOYER IDENTIFICATION NUMBER 36-3858106, PLAN NUMBER 001)

(A) IDENTITY OF PARTY INVOLVED	(B) DESCRIPTION OF ASSET
The ServiceMaster Company	Employer securities-- common shares

(a) Represents transactions or a series of transactions related to nonparticipant-directed investments in excess of 5% of the fair value of Plan assets at the beginning of the year.

	SALES			
(C) PURCHASE PRICE	(D) SELLING PRICE	(G) COST OF ASSET	(H) CURRENT VALUE OF ASSET ON TRANSACTION DATE	(I) REALIZED GAIN
$21,309,239	$16,651,396	$16,620,320	$16,651,396	$31,076

The accompanying Notes to Financial Statements and Schedules are an integral part of this schedule.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, dated June 25, 2001, included in this Form 11-K, into the ServiceMaster Profit Sharing and Retirement Plan's previously filed Registration Statement File No. 333-89037.

Chicago, Illinois
June 25, 2001