

SERVICEMASTER CO
Form 10-Q
May 13, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

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

For the transition period from to

Commission file number 1-14762

THE SERVICEMASTER COMPANY

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3858106
(IRS Employer Identification No.)

860 Ridge Lake Boulevard, Memphis, Tennessee 38120

(Address of principal executive offices) (Zip Code)

901-597-1400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark 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

Accelerated filer

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

Smaller reporting company

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

The registrant is a privately held corporation and its equity shares are not publicly traded. At May 13, 2010, 1,000 shares of the registrant's common stock were outstanding, all of which were owned by CDRSVM Holding, Inc.

The ServiceMaster Company is not required to file this Quarterly Report on Form 10-Q with the Securities and Exchange Commission and is doing so on a voluntary basis.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****THE SERVICEMASTER COMPANY****Condensed Consolidated Statements of Operations (Unaudited)***(In thousands)*

	Three months ended	
	March 31,	
	2010	2009
Operating Revenue	\$ 639,408	\$ 645,927
Operating Costs and Expenses:		
Cost of services rendered and products sold	402,520	394,400
Selling and administrative expenses	183,875	173,763
Amortization expense	40,442	40,309
Restructuring and Merger related charges	3,924	8,777
Total operating costs and expenses	630,761	617,249
Operating Income	8,647	28,678
Non-operating Expense (Income):		
Interest expense	72,681	76,666
Interest and net investment (income) loss	(2,502)	4,761
Gain on extinguishment of debt		(46,106)
Other expense	171	200
Loss from Continuing Operations before Income Taxes	(61,703)	(6,843)
Benefit for income taxes	(29,420)	(7,555)
(Loss) Income from Continuing Operations	(32,283)	712
Loss from discontinued operations, net of income taxes	(377)	(163)
Net (Loss) Income	\$ (32,660)	\$ 549

See accompanying Notes to the Condensed Consolidated Financial Statements

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	As of March 31, 2010 (Unaudited)	As of December 31, 2009 (Audited)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 203,043	\$ 253,463
Marketable securities	19,566	21,120
Receivables, less allowance of \$20,773 and \$20,314, respectively	351,642	348,655
Inventories	82,834	76,592
Prepaid expenses and other assets	98,649	36,564
Deferred customer acquisition costs	62,088	36,070
Deferred taxes	26,321	21,595
Assets of discontinued operations	22	42
Total Current Assets	844,165	794,101
Property and Equipment:		
At cost	360,707	345,100
Less: accumulated depreciation	(148,086)	(132,965)
Net property and equipment	212,621	212,135
Other Assets:		
Goodwill		