

SERVICEMASTER CO
Form 8-K
February 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **February 16, 2012**

THE SERVICEMASTER COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction
of Incorporation)

1-14762
(Commission File Number)

36-3858106
(I.R.S Employer
Identification Number)

860 Ridge Lake Boulevard, Memphis, Tennessee
(Address of principal executive offices)

38120
(Zip Code)

Registrant's telephone number, including area code: **(901) 597-1400**

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Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

See disclosure in Item 2.03 below, which is incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

Indenture and Notes

On February 16, 2012, The ServiceMaster Company (the Company) issued \$100 million aggregate principal amount (the Notes) of its 8% Senior Notes due 2020 under the Indenture, dated as of February 13, 2012 (the Base Indenture, as amended by the First Supplemental Indenture, dated as of February 13, 2012 (the First Supplemental Indenture), and the Second Supplemental Indenture, dated as of February 16, 2012 (the Second Supplemental Indenture, and, collectively with the Base Indenture and the First Supplemental Indenture, the Indenture)) among the Company, certain subsidiaries of the Company as guarantors (the Subsidiary Guarantors) and Wilmington Trust, National Association, as trustee. On February 13, 2012, the Company issued \$500 million aggregate principal amount of its 8% Senior Notes due 2020 (the Existing 8% Senior Notes) under the Base Indenture and the First Supplemental Indenture (such issuance date, the Existing Notes Issuance Date). The Notes will be treated as a single series with the Existing 8% Senior Notes and will have the same terms as the Existing 8% Senior Notes. The Notes are entitled to the benefit of the Exchange and Registration Rights Agreement, dated February 16, 2012 (the Registration Rights Agreement), among the Company, the Subsidiary Guarantors and the initial purchasers named therein.

The issue price of the Notes was 103% of the principal amount, resulting in gross proceeds to the Company of \$103,000,000. As previously disclosed, the Company will use such proceeds and available cash to redeem \$100 million in aggregate principal amount of its 10.75% senior notes due 2015 (the "Permanent Notes").

Interest; Maturity

The Notes will mature on February 15, 2020. The Notes bear interest at a rate per annum of 8% from February 13, 2012. Interest on the Notes is payable semi-annually on February 15 and August 15 of each year, commencing August 15, 2012.

Ranking; Guarantees

The Notes will be senior unsecured indebtedness of the Company and will be:

- equal in right of payment to all existing and future senior indebtedness of the Company;

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- senior in right of payment to all existing and future subordinated obligations of the Company; and
- effectively subordinated to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries that do not guarantee the Notes.

The Notes will be guaranteed, jointly and severally, irrevocably and fully and unconditionally, on a senior unsecured basis, by each domestic subsidiary of the Company that guarantees the Company's indebtedness under its senior secured credit facilities or that guarantees capital markets securities of the Company with an outstanding principal amount over \$150.0 million. These entities also guarantee the Company's outstanding Permanent Notes. These guarantees will be subject to termination and release under specified circumstances without the consent of holders of the Notes. The guarantee of each Subsidiary Guarantor will be a senior unsecured obligation of that guarantor and will rank:

- equal in right of payment to all existing and future senior indebtedness of that Subsidiary Guarantor;
- senior in right of payment to all existing and future subordinated obligations of that Subsidiary Guarantor; and
- effectively subordinated to all existing and future secured indebtedness of that Subsidiary Guarantor to the extent of the value of the assets securing such secured indebtedness and to all indebtedness and other liabilities of the Company's subsidiaries that do not guarantee the Notes.

Optional Redemption

At any time prior to February 15, 2015, the Company may redeem some or all of the Notes at a price equal to 100% of the principal amount plus the applicable "make-whole" premium set forth in the Indenture and accrued and unpaid interest, if any, to the redemption date.

At any time on or after February 15, 2015, the Company may redeem some or all of the Notes at the applicable redemption price set forth below (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, to the relevant redemption date.

Year	Percentage
2015	106.000%
2016	104.000%
2017	102.000%
2018 and thereafter	100.000%

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In addition, on or prior to February 15, 2015, the Company will be entitled, at its option, on one or more occasions to redeem the Notes in an aggregate principal amount equal to up to 35% of the aggregate principal amount of the Notes issued under the Indenture with the net cash proceeds from one or more equity offerings at a redemption price equal to 108% of the principal amount outstanding in respect of the Notes, plus accrued and unpaid interest to the redemption date, provided, however, that if Notes are redeemed, an aggregate principal amount of Notes equal to at least 50% of the original aggregate principal amount of Notes must remain outstanding immediately after each such redemption of Notes.

Offer to Repurchase

In the event of certain events that constitute a Change of Control (as defined in the Indenture), the Company 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, if any, to the repurchase date. If the Company sells assets under certain circumstances, the Company must use the proceeds to make an offer to purchase the Notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

Covenants

The Indenture contains covenants that, among other things, limits the ability of the Company and its restricted subsidiaries, described in the Indenture, to: incur additional indebtedness or issue certain preferred shares; pay dividends, redeem stock or make other distributions, or make investments; create restrictions on the ability of the Company's restricted subsidiaries to make payments to the Company; enter into certain transactions with the Company's affiliates; transfer or sell assets; create certain liens; merge, consolidate or sell all or substantially all of the Company's assets; and designate the Company's subsidiaries as unrestricted subsidiaries. Most of these covenants will cease to apply for so long as the Notes have investment grade ratings from both Moody's Investment Services, Inc. and Standard & Poor's.

Events of Default

The Indenture also provides for events of default, which, if any of them occurs, would permit or require the principal, premium, if any, interest and other monetary obligations on all the then outstanding Notes issued under the Indenture to be due and payable immediately.

A copy of the Second Supplemental Indenture is attached as Exhibit 4.1 hereto and incorporated herein by reference. Copies of the Base Indenture and the First Supplemental Indenture were filed by the Company as exhibits to its Current Report on Form 8-K filed on February 14, 2012. The foregoing descriptions of the Indenture do not purport to be complete and are qualified in their entirety by reference to the full text of the Indenture.

Registration Rights Agreement

The Notes and the guarantees have not been registered under the Securities Act of 1933, as amended (the Securities Act). Pursuant to the Registration Rights Agreement, the Company has agreed to use its commercially reasonable efforts to:

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- file a registration statement for the exchange of the Notes for substantially similar notes that are publicly registered;
- cause the registration statement to become effective within 365 days following the Existing Notes Issuance Date; and
- commence the exchange offer promptly after the registration statement has become effective.

In addition, the Company has agreed, in specified circumstances, to use its commercially reasonable efforts to file a shelf registration statement that would allow some or all of the Notes to be offered to the public. The Company may, on the same registration statement, register any of the Notes and any of the Existing 8% Senior Notes under the exchange and registration rights agreement, dated February 13, 2012, among the Company, the Subsidiary Guarantors and the initial purchasers named therein, relating to the Existing 8% Senior Notes. If the Company does not comply with the foregoing obligations under the Registration Rights Agreement, the Company will be required to pay additional interest as liquidated damages to holders of the Notes.

A copy of the Registration Rights Agreement is attached as Exhibit 4.2 hereto and incorporated herein by reference. The foregoing descriptions of the Registration Rights Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of such agreement.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description of Exhibit
4.1	Second Supplemental Indenture, dated as of February 16, 2012, among The ServiceMaster Company, the Subsidiary Guarantors named therein, and Wilmington Trust, National Association, as Trustee.
4.2	Exchange and Registration Right Agreement, dated February 16, 2012, by and among The ServiceMaster Company, the Subsidiary Guarantors named therein and J.P. Morgan Securities LLC, as representative of the Initial Purchasers.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 16, 2012

THE SERVICEMASTER COMPANY

By: */s/ Roger A. Cregg*
Roger A. Cregg
Senior Vice President and Chief Financial Officer