

THE SERVICEMASTER COMPANY, LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-1036521
(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.

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 Exchange Act). Yes No

The registrant is a privately held limited liability company and its membership interests are not publicly traded. At May 2, 2014, all of the registrant's membership interests were owned by CDRSVM Holding, LLC.

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The ServiceMaster Company, LLC 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, LLC****Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)***(In millions)*

	Three months ended			
	March 31,			
	2014			2013
Operating Revenue	\$	533	\$	514
Cost of services rendered and products sold		288		270
Selling and administrative expenses		151		158
Amortization expense		13		13
Impairment of software and other related costs		48		
Restructuring charges		5		3
Interest expense		61		60
Interest and net investment income		(6)		(2)
(Loss) Income from Continuing Operations before Income Taxes		(27)		12
(Benefit) Provision for income taxes		(9)		6
(Loss) Income from Continuing Operations		(18)		6
Loss from discontinued operations, net of income taxes		(95)		(29)
Net Loss	\$	(113)	\$	(23)
Total Comprehensive Loss	\$	(116)	\$	(20)

Table of Contents**THE SERVICEMASTER COMPANY, LLC****Condensed Consolidated Statements of Financial Position (Unaudited)***(In millions)*

	As of March 31, 2014	As of December 31, 2013
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 421	\$ 476
Marketable securities	23	27
Receivables, less allowances of \$25 and \$26, respectively	393	394
Inventories	38	39
Prepaid expenses and other assets	57	56
Deferred customer acquisition costs	28	30
Deferred taxes	107	107
Assets of discontinued operations		76
Total Current Assets	1,067	1,205
Property and Equipment:		
At cost	345	381
Less: accumulated depreciation	(211)	(204)
Net Property and Equipment	134	177
Other Assets:		
Goodwill	2,055	2,018
Intangible assets, primarily trade names, service marks and trademarks, net	1,729	1,721
Notes receivable	37	37
Long-term marketable securities	90	122
Other assets	51	49
Debt issuance costs	38	41
Assets of discontinued operations		542
Total Assets	\$ 5,201	\$ 5,912
Liabilities and Shareholders (Deficit) Equity:		
Current Liabilities:		
Accounts payable	\$ 92	\$ 92
Accrued liabilities:		
Payroll and related expenses	54	70
Self-insured claims and related expenses	86	78
Accrued interest payable	16	51
Other	55	55
Deferred revenue	487	448
Liabilities of discontinued operations	7	139
Current portion of long-term debt	41	39
Total Current Liabilities	838	972
Long-Term Debt	3,863	3,867
Other Long-Term Liabilities:		
Deferred taxes	696	690
Liabilities of discontinued operations		162

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Other long-term obligations, primarily self-insured claims	146	169
Total Other Long-Term Liabilities	842	1,021
Commitments and Contingencies (See Note 4)		
Shareholder s (Deficit) Equity:		
Membership Interest		
Additional paid-in capital	1,477	1,475
Retained deficit	(1,821)	(1,430)
Accumulated other comprehensive income	2	7
Total Shareholder s (Deficit) Equity	(342)	52
Total Liabilities and Shareholder s (Deficit) Equity	\$ 5,201	\$ 5,912

Table of Contents**THE SERVICEMASTER COMPANY, LLC****Condensed Consolidated Statements of Cash Flows (Unaudited)***(In millions)*

	Three months ended March 31,	
	2014	2013
Cash and Cash Equivalents at Beginning of Period	\$ 476	\$ 412
Cash Flows from Operating Activities from Continuing Operations:		
Net Loss	(113)	(23)
Adjustments to reconcile net loss to net cash provided from operating activities:		
Loss from discontinued operations, net of income taxes	95	29
Depreciation expense	12	12
Amortization expense	13	13
Amortization of debt issuance costs	2	2
Impairment of software and other related costs	48	
Deferred income tax provision	(6)	8
Stock-based compensation expense	1	1
Restructuring charges	5	3
Cash payments related to restructuring charges	(3)	(4)
Change in working capital, net of acquisitions:		
Current income taxes	(5)	(4)
Receivables	13	15
Inventories and other current assets		(16)
Accounts payable	6	14
Deferred revenue	17	10
Accrued liabilities	(57)	(37)
Other, net	(7)	
Net Cash Provided from Operating Activities from Continuing Operations	21	23
Cash Flows from Investing Activities from Continuing Operations:		
Property additions	(14)	(9)
Other business acquisitions, net of cash acquired	(41)	(3)
Notes receivable, financial investments and securities, net	38	(4)
Net Cash Used for Investing Activities from Continuing Operations	(17)	(16)
Cash Flows from Financing Activities from Continuing Operations:		
Borrowings of debt		1
Payments of debt	(11)	(11)
Discount paid on issuance of debt		(12)
Debt issuance costs paid		(5)
Contribution to TruGreen Holding Corporation	(35)	
Net Cash Used for Financing Activities from Continuing Operations	(46)	(27)
Cash Flows from Discontinued Operations:		
Cash used for operating activities	(8)	(34)
Cash used for investing activities	(2)	(10)
Cash used for financing activities	(3)	(2)
Net Cash Used for Discontinued Operations	(13)	(46)
Cash Decrease During the Period	(55)	(66)

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Cash and Cash Equivalents at End of Period	\$	421	\$	346
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THE SERVICEMASTER COMPANY, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1. Basis of Presentation

The ServiceMaster Company, LLC (ServiceMaster, the Company, we, us or our) is a leading provider of essential residential and commercial services. ServiceMaster's services include termite and pest control, home warranties, disaster restoration, janitorial, residential cleaning, furniture repair and home inspection. ServiceMaster provides these services through an extensive service network of company-owned, franchised and licensed locations operating primarily under the following leading brands: Terminix, American Home Shield, ServiceMaster Restore, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec.

The condensed consolidated financial statements include the accounts of ServiceMaster and its majority-owned subsidiary partnerships, limited liability companies and corporations. All consolidated ServiceMaster subsidiaries are wholly owned. ServiceMaster is organized into four principal reportable segments: Terminix, American Home Shield, Franchise Services Group and Other Operations and Headquarters. During the first quarter of 2014, the Company changed the composition of its reportable segments. See Note 14 for further details. Intercompany transactions and balances have been eliminated.

The condensed consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles in the United States (GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The Company recommends that the quarterly condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC (the 2013 Form 10-K). The condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for any interim period are not indicative of the results that might be achieved for a full year.

On July 24, 2007 (the 2007 Closing Date), ServiceMaster was acquired pursuant to a merger transaction (the 2007 Merger), and, immediately following the completion of the 2007 Merger, all of the outstanding common stock of ServiceMaster Global Holdings, Inc. (Holdings), the ultimate parent company of ServiceMaster, was owned by investment funds managed by, or affiliated with, Clayton, Dubilier & Rice, LLC (CD&R), Citigroup Private Equity LP (Citigroup), BAS Capital Funding Corporation (BAS) and JPMorgan Chase Funding Inc. (JPMorgan). On September 30, 2010, Citigroup transferred the management responsibility for certain investment funds that owned shares of common stock of Holdings to StepStone Group LP (StepStone), and the investment funds managed by StepStone Group, the StepStone Funds). As of December 22, 2011, Holdings purchased from BAS 7.5 million shares of its common stock. On March 30, 2012, an affiliate of BAS sold 7.5 million shares of Holdings' common stock to Ridgmont Partners Secondary Fund I, L.P. (Ridgmont). On July 24, 2012, BACSVM-A L.P., an affiliate of BAS, distributed 2.5 million shares of Holdings' common stock to Charlotte Investor IV, L.P., its sole limited partner.

On January 14, 2014, the Company completed a separation transaction (the TruGreen Spin-off) resulting in the spin-off of the assets and certain liabilities of the business that comprises the lawn, tree and shrub care services previously conducted by the Company primarily under the TruGreen brand name (collectively, the TruGreen Business) through a tax-free, pro rata dividend to Holdings' stockholders. As a result of the

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completion of the TruGreen Spin-off, TruGreen Holding Corporation (New TruGreen) operates the TruGreen Business as a private independent company. The historical results of the TruGreen Business, including the results of operations, cash flows and related assets and liabilities, are reported as discontinued operations for all periods presented herein.

Pursuant to an agreement and plan of merger entered into by ServiceMaster in connection with the TruGreen Spin-off, on January 14, 2014, the company formerly known as The ServiceMaster Company (Old ServiceMaster) was merged with and into ServiceMaster, with ServiceMaster continuing as the surviving entity in such merger. Pursuant to the terms of the merger agreement, all of the capital stock of Old ServiceMaster issued and outstanding immediately prior to the effective time of the merger was cancelled, and the sole stockholder of Old ServiceMaster immediately prior to the effective time of the merger (CDRSVM Holding, Inc., now known as CDRSVM Holding, LLC) was admitted as the sole member of ServiceMaster.

Note 2. Significant Accounting Policies

The Company's significant accounting policies are included in the 2013 Form 10-K. The following selected accounting policies should be read in conjunction with the 2013 Form 10-K.

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Revenue. Revenues from pest control services, as well as liquid and fumigation termite applications, are recognized as the services are provided. The Company eradicates termites through the use of non-baiting methods (e.g., fumigation or liquid treatments) and baiting systems. Termite services using baiting systems and termite inspection and protection contracts are frequently sold through annual contracts. Service costs for these contracts are expensed as incurred. The Company recognizes revenue over the life of these contracts in proportion to the expected direct costs. Those costs bear a direct relationship to the fulfillment of the Company's obligations under the contracts and are representative of the relative value provided to the customer (proportional performance method). The Company regularly reviews its estimates of direct costs for its termite bait contracts and termite inspection and protection contracts and adjusts the estimates when appropriate.

Home warranty contracts are typically one year in duration. Home warranty claims costs are expensed as incurred. The Company recognizes revenue over the life of these contracts in proportion to the expected direct costs. Those costs bear a direct relationship to the fulfillment of the Company's obligations under the contracts and are representative of the relative value provided to the customer (proportional performance method). The Company regularly reviews its estimates of claims costs and adjusts the estimates when appropriate.

The Company has franchise agreements in its Terminix, ServiceMaster Restore, ServiceMaster Clean, Merry Maids, Furniture Medic and AmeriSpec businesses. Franchise revenue (which in the aggregate represents approximately six percent of annual consolidated operating revenue from continuing operations) consists principally of continuing monthly fees based upon the franchisee's customer-level revenue. Monthly fee revenue is recognized when the related customer-level revenue generating activity is performed by the franchisee and collectability is reasonably assured. Franchise revenue also includes initial fees resulting from the sale of a franchise or a license. These initial franchise or license fees are pre-established fixed amounts and are recognized as revenue when collectability is reasonably assured and all material services or conditions relating to the sale have been substantially performed. Total profits from the franchised operations were \$17 million and \$18 million for the three months ended March 31, 2014 and 2013, respectively. The Company evaluates the performance of its franchise businesses based primarily on operating profit before corporate general and administrative expenses, interest expense and amortization of intangible assets. The portion of total franchise fee income related to initial fees received from the sale of franchises was immaterial to the Company's condensed consolidated financial statements for all periods.

The Company had \$487 million and \$448 million of deferred revenue as of March 31, 2014 and December 31, 2013, respectively. Deferred revenue consists primarily of payments received for annual contracts relating to home warranties, termite baiting, termite inspection and pest control services.

Deferred Customer Acquisition Costs. Customer acquisition costs, which are incremental and direct costs of obtaining a customer, are deferred and amortized over the life of the related contract in proportion to revenue recognized. These costs include sales commissions and direct selling costs which can be shown to have resulted in a successful sale. Deferred customer acquisition costs amounted to \$28 million and \$30 million as of March 31, 2014 and December 31, 2013, respectively.

Advertising. On an interim basis, certain advertising costs are deferred and recognized approximately in proportion to the revenue over the year and are not deferred beyond the calendar year-end. Certain other advertising costs are expensed when the advertising occurs. The cost of direct-response advertising at Terminix, consisting primarily of direct-mail promotions, is capitalized and amortized over its expected period of future benefits. Deferred advertising costs are included in Prepaid expenses and other assets on our condensed consolidated statements of financial position.

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

The Company recorded an impairment charge of \$48 million (\$29 million, net of tax) in the first quarter of 2014 relating to its decision to abandon its efforts to deploy a new operating system at American Home Shield. Included in this charge are the impairment of the capitalized software of \$45 million and the recognition of the remaining liabilities associated with the termination of lease, maintenance and hosting agreements totaling \$3 million. This impairment represented an adjustment of the carrying value of the asset to its estimated fair value of zero on a non-recurring basis.

Use of Estimates. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions required under GAAP which may differ from actual results. Disclosures in the 2013 Form 10-K presented the significant areas requiring the use of management estimates and discussed how management formed its judgments. The areas discussed include revenue recognition; the allowance for uncollectible receivables; accruals for self-insured retention limits related to medical, workers' compensation, auto and general liability insurance claims; accruals for

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home warranties and termite damage claims; the possible outcome of outstanding litigation; accruals for income tax liabilities as well as deferred tax accounts; the deferral and amortization of customer acquisition costs; useful lives for depreciation and amortization expense; the valuation of marketable securities; and the valuation of tangible and intangible assets.

Newly Issued Accounting Statements and Positions

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or Tax Credit Carryforward Exists to eliminate the diversity in practice associated with the presentation of unrecognized tax benefits in instances where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. ASU 2013-11 generally requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity to change the criteria for reporting discontinued operations and enhance the convergence of the FASB's and the International Standard Board's reporting requirements for discontinued operations. The changes in ASU 2014-08 amend the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entity's operations and financial results. ASU 2014-08 requires expanded disclosures for discontinued operations and also requires an entity to disclose the pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company anticipates the adoption of this standard will not have a material impact on the Company's condensed consolidated financial statements.

Note 3. Restructuring Charges

The Company incurred restructuring charges of \$5 million (\$3 million, net of tax) and \$3 million (\$2 million, net of tax) for the three months ended March 31, 2014 and 2013, respectively. Restructuring charges were comprised of the following:

(In millions)	Three months ended			
	2014		March 31, 2013	
Terminix branch optimization(1)	\$	1	\$	1
Centers of excellence initiative(2)		4		2
Total restructuring charges	\$	5	\$	3

(1) For the three months ended March 31, 2014, these charges included severance costs. For the three months ended March 31, 2013, these charges included lease termination costs.

(2) Represents restructuring charges related to an initiative to enhance capabilities and reduce costs in the Company's headquarters functions that provide Company-wide administrative services for our operations that we refer to as centers of excellence. For the three months ended March 31, 2014, these charges included professional fees of \$1 million and severance and other costs of \$3 million. For the three months ended March 31, 2013, these charges included professional fees of \$1 million and severance and other costs of \$1 million. During the remainder of 2014, the Company will continue to assess the mix and cost of its Company-wide administrative services in light of the TruGreen Spin-off. The Company does not expect additional charges related to this initiative to be significant.

The pretax charges discussed above are reported in Restructuring charges in the condensed consolidated statements of operations and comprehensive loss.

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A reconciliation of the beginning and ending balances of accrued restructuring charges, which are included in Accrued liabilities - Other on the condensed consolidated statements of financial position, is presented as follows:

(In millions)	Accrued Restructuring Charges	
Balance as of December 31, 2013	\$	1
Costs incurred		5
Costs paid or otherwise settled		(3)
Balance as of March 31, 2014	\$	3

Note 4. Commitments and Contingencies

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

A reconciliation of beginning and ending accrued self-insured claims, which are included in Accrued liabilities - Self-insured claims and related expenses and Other long-term obligations, primarily self-insured claims on the condensed consolidated statements of financial position, net of reinsurance recoverables, which are included in Prepaid expenses and other assets and Other assets on the condensed consolidated statements of financial position, is presented as follows:

(In millions)	Accrued Self-insured Claims, Net	
Balance as of December 31, 2013	\$	101
Provision for self-insured claims		19
Cash payments		(17)
Balance as of March 31, 2014	\$	103

(In millions)	Accrued Self-insured Claims, Net	
Balance as of December 31, 2012	\$	103
Provision for self-insured claims		11
Cash payments		(11)
Balance as of March 31, 2013	\$	103

Accruals for home warranty claims in the American Home Shield business are made based on the Company's claims experience and actuarial projections. Termite damage claim accruals in the Terminix business are recorded based on both the historical rates of claims incurred within a

contract year and the cost per claim. Current activity could differ causing a change in estimates. The Company has certain liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Company accrues for these liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Any resulting adjustments, which could be material, are recorded in the period the adjustments are identified.

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

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of any such proceedings will not materially affect its reputation, business, financial position, results of operations and cash flows.

Note 5. Goodwill and Intangible Assets

Goodwill and intangible assets that are not amortized are subject to assessment for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. The Company's annual assessment date is October 1. There were no goodwill or trade name impairment charges recorded in continuing operations in the three months ended March 31, 2014 and 2013.

The table below summarizes the goodwill balances by segment for continuing operations:

(In millions)	Terminix	American Home Shield	Franchise Services Group	Total
Balance as of December 31, 2013	\$ 1,480	\$ 347	\$ 191	\$ 2,018
Acquisitions	6	31		37
Balance as of March 31, 2014	\$ 1,486	\$ 378	\$ 191	\$ 2,055

There were no accumulated impairment losses recorded in continuing operations as of March 31, 2014.

The table below summarizes the other intangible asset balances for continuing operations:

(In millions)	Estimated Remaining Useful Lives (Years)	As of March 31, 2014			As of December 31, 2013		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Trade names(1)	N/A	\$ 1,608	\$	\$ 1,608	\$ 1,608	\$	\$ 1,608
Customer relationships	3 - 10	530	(457)	73	512	(447)	65
Franchise agreements	20 - 25	88	(55)	33	88	(54)	34
Other	4 - 30	44	(29)	15	41	(27)	14
Total		\$ 2,270	\$ (541)	\$ 1,729	\$ 2,249	\$ (528)	\$ 1,721

(1) Not subject to amortization.

In the three months ended March 31, 2014, the TruGreen Business recorded an impairment change of \$139 million (\$84 million, net of tax) in discontinued operations, net of income taxes.

Note 6. Stock-Based Compensation

For the three months ended March 31, 2014 and 2013, the Company recognized stock-based compensation expense of \$1 million (\$1 million, net of tax) and \$1 million (\$1 million, net of tax), respectively. As of March 31, 2014, there was \$20 million of total unrecognized compensation costs related to non-vested stock options and restricted share units granted by Holdings under the Amended and Restated ServiceMaster Global Holdings, Inc. Stock Incentive Plan. These remaining costs are expected to be recognized over a weighted-average period of 3.14 years.

Note 7. Comprehensive Income (Loss)

Comprehensive income (loss), which primarily includes net income (loss), unrealized gain (loss) on marketable securities, unrealized gain (loss) on derivative instruments and the effect of foreign currency translation is disclosed in the condensed consolidated statements of operations and comprehensive income (loss).

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The following tables summarize the activity in other comprehensive income (loss), net of the related tax effects.

(In millions)	Unrealized Gains on Derivatives	Unrealized Gains on Available-for- Sale Securities	Foreign Currency Translation	Total
Balance as of December 31, 2013	\$ 1	\$ 7	\$ (1)	\$ 7
Other comprehensive income (loss) before reclassifications:				
Pre-tax amount		1	(1)	
Tax provision (benefit)				
After tax amount		1	(1)	
Amounts reclassified from accumulated other comprehensive income (loss) (1)		(3)		(3)
Spin-off of the TruGreen Business			(2)	(2)
Net current period other comprehensive loss		(2)	(3)	(5)
Balance as of March 31, 2014	\$ 1	\$ 5	\$ (4)	\$ 2

(In millions)	Unrealized Losses on Derivatives	Unrealized Gains on Available-for- Sale Securities	Foreign Currency Translation	Total
Balance as of December 31, 2012	\$ (2)	\$ 6	\$ 3	\$ 7
Other comprehensive income (loss) before reclassifications:				
Pre-tax amount	1	4	(1)	4
Tax provision (benefit)		2		2
After tax amount	1	2	(1)	2
Amounts reclassified from accumulated other comprehensive income (loss)(1)	1			1
Net current period other comprehensive income (loss)	2	2	(1)	3
Balance as of March 31, 2013	\$	\$ 8	\$ 2	\$ 10

(1) Amounts are net of tax. See reclassifications out of accumulated other comprehensive income below for further details.

Reclassifications out of accumulated other comprehensive income included the following components for the periods indicated.

(In millions)	Amount Reclassified from Accumulated Other Comprehensive Income As of March 31,		Condensed Consolidated Statements of Operations and Comprehensive Loss Location
	2014	2013	
Losses on derivatives:			
Fuel swap contracts	\$	\$	Cost of services rendered and products sold
Interest rate swap contracts		2	Interest expense
Net losses on derivatives		2	

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Impact of income taxes			1	(Benefit) Provision for income taxes
Total reclassifications related to derivatives	\$		\$	1
Gains on available-for-sale securities	\$	(4)	\$	Interest and net investment income
Impact of income taxes		1		(Benefit) Provision for income taxes
Total reclassifications related to securities	\$	(3)	\$	
Total reclassifications for the period	\$	(3)	\$	1

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Supplemental information relating to the condensed consolidated statements of cash flows is presented in the following table:

(In millions)	Three months ended	
	2014	March 31, 2013
Cash paid for or (received from):		
Interest expense	\$ 92	\$ 89
Interest and dividend income	(1)	(1)
Income taxes, net of refunds	2	2

The Company acquired \$2 million and \$6 million of property and equipment through capital leases and other non-cash financing transactions in the three months ended March 31, 2014 and 2013, respectively, which have been excluded from the condensed consolidated statements of cash flows as non-cash investing and financing activities.

Note 9. Cash and Marketable Securities

Cash, money market funds and certificates of deposits with maturities of three months or less when purchased are included in Cash and cash equivalents on the condensed consolidated statements of financial position. As of March 31, 2014 and December 31, 2013, the Company's investments consisted primarily of domestic publicly traded debt and certificates of deposit (Debt securities) and common equity securities (Equity securities). The amortized cost, fair value and gross unrealized gains and losses of the Company's short- and long-term investments in Debt and Equity securities as of March 31, 2014 and December 31, 2013 were as follows:

(In millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale and trading securities, March 31, 2014:				
Debt securities	\$ 71	\$ 1	\$	\$ 72
Equity securities	34	7		41
Total securities	\$ 105	\$ 8	\$	\$ 113

(In millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale and trading securities, December 31, 2013:				
Debt securities	\$ 97	\$ 3	\$ (1)	\$ 99
Equity securities	41	9		50
Total securities	\$ 138	\$ 12	\$ (1)	\$ 149

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There were no unrealized losses which had been in a loss position for more than one year as of March 31, 2014 and December 31, 2013. The aggregate fair value of the investments with unrealized losses was \$18 million and \$30 million as of March 31, 2014 and December 31, 2013, respectively.

Gains and losses on sales of investments, as determined on a specific identification basis, are included in investment income in the period they are realized. The Company periodically reviews its portfolio of investments to determine whether there has been an other than temporary decline in the value of the investments from factors such as deterioration in the financial condition of the issuer or the market(s) in which the issuer competes. The table below summarizes proceeds and gross realized gains resulting from sales of available-for-sale securities. There were no gross realized losses or impairment charges due to other than temporary declines in the value of certain investments for the three months ended March 31, 2014 and 2013.

(In millions)	Three months ended			
	March 31,		March 31,	
	2014		2013	
Proceeds from sale of securities	\$	42	\$	4
Gross realized gains, pre-tax		5		1
Gross realized gains, net of tax		3		

Table of Contents**Note 10. Long-Term Debt**

Long-term debt as of March 31, 2014 and December 31, 2013 is summarized in the following table:

(In millions)	As of	
	March 31, 2014	December 31, 2013
Senior secured term loan facility maturing in 2017 (Tranche B)	\$ 988	\$ 991
Senior secured term loan facility maturing in 2017 (Tranche C)(1)	1,196	1,198
7.00% senior notes maturing in 2020	750	750
8.00% senior notes maturing in 2020(2)	602	602
Revolving credit facility maturing in 2017		
7.10% notes maturing in 2018(3)	72	71
7.45% notes maturing in 2027	159	159
7.25% notes maturing in 2038	63	63
Vehicle capital leases(4)	32	32
Other	42	40
Less current portion	(41)	(39)
Total long-term debt	\$ 3,863	\$ 3,867

(1) As of March 31, 2014 and December 31, 2013, presented net of \$9 million and \$10 million, respectively, in unamortized original issue discount paid as part of the 2013 amendment (the 2013 Term Loan Facility Amendment).

(2) As of March 31, 2014 and December 31, 2013, includes \$2 million in unamortized premium received on the sale of \$100.0 million aggregate principal amount of such notes.

(3) The increase in the balance from December 31, 2013 to March 31, 2014 reflects the amortization of fair value adjustments related to purchase accounting, which increases the effective interest rate from the coupon rates shown above.

(4) The Company has entered into a fleet management services agreement (the Fleet Agreement) which, among other things, allows the Company to obtain fleet vehicles through a leasing program. All leases under the Fleet Agreement are capital leases for accounting purposes. The lease rental payments include an interest component calculated using a variable rate based on one-month LIBOR plus other contractual adjustments and a borrowing margin totaling 2.45 percent as of March 31, 2014.

Note 11. Acquisitions

Acquisitions have been accounted for using the acquisition method and, accordingly, the results of operations of the acquired businesses have been included in the Company's condensed consolidated financial statements since their dates of acquisition. The assets and liabilities of these

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businesses were recorded in the financial statements at their estimated fair values as of the acquisition dates.

On February 28, 2014, the Company acquired Home Security of America, Inc. (HSA), based in Madison, Wisconsin. The total net purchase price for this acquisition was \$32 million. The Company recorded goodwill of \$30 million and other intangibles of \$17 million related to this acquisition. As of March 31, 2014, the purchase price allocation for this acquisition has not been finalized.

During the three months ended March 31, 2014, the Company completed several pest control and termite acquisitions. The total net purchase price for these acquisitions was \$11 million. The Company recorded goodwill of \$7 million and other intangibles of \$4 million related to these acquisitions.

During the three months ended March 31, 2013, the Company completed several pest control and termite acquisitions. The total net purchase price for these acquisitions was \$4 million. The Company recorded goodwill of \$3 million and other intangibles of \$1 million related to these acquisitions.

Supplemental cash flow information regarding the Company's acquisitions is as follows:

(In millions)	Three months ended		
	2014	March 31,	2013
Purchase price (including liabilities assumed)	\$	71	\$