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Leadership Message to Officers Re: Assuming CEO Position

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**LEADERSHIP
MESSAGE TO OFFICERS
RE ASSUMING CEO POSITION
MEMPHIS TN
Friday, July 23, 1999**

C. WILLIAM POLLARD, CHAIRMAN & CEO

I am grateful for the opportunity to serve and excited about the challenge, but frankly, I am also somewhat overwhelmed that I am standing in front of you today as the next CEO of ServiceMaster.

It is not something I expected or sought after. In my mind, the CEO's job was part of the past, not part of my plans for the future.

But during the last several weeks, Carlos, members of the Selection Committee and Phil all came to the same conclusion, that at this time in our history, it was the best decision for ServiceMaster. My response was an unequivocal yes. Not just as a matter of duty, but because of the potential before us. I believe in you and in the future of ServiceMaster.

I realize that the scope of the task and the size of the job is much larger than it was when I last held it. My partner, Carlos, took this business from an expectation of value creation to the reality of a result. Look what has happened in the last five years. Our total return to shareholders and profits have grown at a compounded rate of over 20%. Our revenues have more than doubled to more than \$6 billion and over 10 million customers. Our net income has more than tripled. He has led us through the successful conversion back to corporate form, a

successful public offering – the first since 1962 - and a refocus of our business on our core service capabilities.

His leadership has made a difference. It has not been a cakewalk. He has guided us, encouraged us and sometimes demanded of us, but he has always persevered with clear goals. He has a faith that endured. He has a belief in the people he was working with and supporting. His courage, his faith and his commitment during the last nine months are a lasting example for all of us – one that has inspired me and one that I will cherish – one that defines what leadership is all about.

He will be a tough act to follow. I am delighted he will continue as a member of our Board and Executive Committee and be available to Phil and me and others for advice and counsel.

There is no way I can get this job done without each of you in this room. I could go around the room today and point out what each of you has done – what you have done in an exceptional way, especially during the last nine months. I want each of you to know that I need you. I need you as part of the future, as part of going forward.

I also, however, want to especially mention one of you in this regard – Phil Rooney. Phil has made many contributions since he joined us in the spring of 1997. In the last nine months, none of us could have gotten the job done without him. The sale of our energy business, the sale of Premier – not just for average or good prices but for premium prices – all consistent with a care for the people involved and for cash on the barrel head – timed in the quarters that would be of maximum benefit to ServiceMaster – didn't all just happen. It happened because of Phil's leadership. At the same time, he led in the acquisitions of LandCare and

ARS, giving us a major launch into two new market places and handled these transactions with all the sensitivity and complexity of acquiring public companies, negotiating with multiple parties. While it was a team effort, it needed a leader. Carlos and I relied on Phil to get the job done. During the same period, he continued his major operating responsibilities and took on more as he became involved in our Consumer and Commercial services.

Phil, thank you for all that you have done. Thank you for your commitment to be my partner and to help make our future happen.

Now, what can I say today about our future?

First of all, I want to take time to listen and learn from each of you during this transition period. I will be scheduling time with many of you to listen to your view of the future.

I am pleased with the way the long-range planning process has been introduced. I think it will be a valuable process if we all are truly open to asking three basic questions:

1. What are we doing now that we no longer need to do and should stop?
2. What are we doing now that we must maintain and preserve and do more of in the future?
3. What are we not doing that we must start doing in order to make the future happen?

One of the principles that has always been a constant in ServiceMaster is that growth is not an option but a mandate. I am committed to doing everything I can to lead in accomplishing this growth mandate.

I am also committed to continue the process of creating value for our shareholders. We can't do this without focusing on the value we are creating for our customers and the motivation and development of our people, all as we together generate profits in serving others.

I am so committed to this principle of value creation that I believe my compensation as CEO should be at risk and directly linked to accomplishing this goal. As part of accepting this position as CEO, I have asked the Chairman of the Compensation Committee of our Board to work with his committee and appropriate advisers to design a plan that would limit my cash compensation from the company to a standard base compensation within a range consistent with past practices and further that all other incentives would be used to purchase stock options with any future value to me dependent upon an increase in the value of our stock and with a vesting provision that would be dependent upon reaching levels of profit performance over a period of time.

I will be at risk for the future and my risk will be aligned with our shareholders. This is exactly where I should be. For me, making another major investment in the ownership of ServiceMaster stock is not a question of loyalty or lack of diversification. It is simply a conclusion that there is no better investment I could make for the future.

Now, as we look to the future together, I can give you certain other commitments from my side of the equation.

First of all, I have not taken this position as an interim appointment. The Selection Committee has completed its task. We will continue to do succession planning in ServiceMaster as we have done in the past and, while I am committed to ServiceMaster for the long term, I am also committed not to be in the way of my successor when he or she is ready, able and willing to act.

I made this same statement in 1988 to the Delta group when I had served as CEO for five years and the question was raised about succession. I plan to give my very best, but I will not hold on to it or hang on to it for some predetermined date or fixed period.

As we think about the next five-year planning period for ServiceMaster, it is well for all of us to review our commitments to this business and to the people we lead. As I listen to each of you, I will be listening to your thoughts about your commitment to the future.

As we move forward, we are, in fact, making a contract with each other about the future and what we will commit to. As we all have leadership roles, we also have a posture of indebtedness to each other and to the people we lead. I am committed to each of you to serve my very best to provide opportunities to maximize your potential.

As I assume this role, I also want you to know of my continued commitment to my faith and my family. This decision did not come without much prayer, discussion and agreement from Judy and the kids. For me, Judy was a litmus test for understanding God's direction to move forward.

ServiceMaster has provided an opportunity for me to live and share my faith, to make it real, in a way that is unique and a way that cannot be duplicated anywhere else.

In the Sermon on the Mount, Jesus told His disciples to let the light of their faith so shine by the work of their hands that others would praise God. It is this statement that is behind Marion Wade's comment: "If you don't live it, you don't believe it." It is my commitment to you to share and live my faith in a way that causes others to praise God and also includes and accepts those who do not believe the way I do. In this commitment, I may fail from time to time and, if I do, I ask for your commitment to call me on it so I can correct it and seek forgiveness.

As we look at the future, we must all be committed:

1. to change as part of growing and improving,
2. to do more listening,
3. to be more transparent as leaders,
4. to involve more team effort in making and implementing decisions,
5. to better understand what our customers see as value,
6. to measure – not just count,
7. to identify and understand why non-customers are not buying,
8. to define and understand the theory of our business and convert it into greater opportunities,
9. to increase our share of our customers' disposable income and expand our role in the economic chain necessary to satisfy our customers needs,
10. to better understand how to recruit, train and motivate the worker of the 21st century and to promote diversity,
11. to expand our channels of access to and from our customers,

12. to better understand what we need as information, not just IT or ET, but more valuable information in decision making and bringing value to our customers.

And as we move forward, will we do so as one company or many companies owned by one holding company? Will we be a General Electric or a Berkshire Hathaway? Both are very different models, both are involved in wealth creation. The answer will come from you. But one thing is for sure, we cannot find ourselves caught in the middle. This is no way to create value for the future.

Where will our headquarters be? Memphis or Downers Grove? I'm not sure that question is relevant. I will tell you where I am going to be. Some days I will be in Memphis, some days I will be in Downers Grove, and most of the days I will be on the road with our people and our customers. My door will always be open to each of you, but it may not always be a physical door. My voice mail number is: 800.999.6678 Box 2202. My email address is: wcpollard@svm.com. That's right, I will be moving more and more to a virtual office. If you communicate with me about a problem, please help me understand where you are on solutions or alternatives.

Now, one of the issues that is immediately before us is the budget for 2000 and 2001. We know we have a lot of work yet to do to bring it in on target. But one thing that all of you will be able to do as part of putting your budget together is to eliminate the royalty payment to parent. After all, we all own the same stock, and the reason we are here is to contribute to an overall result.

Thank you again for being part of the team and looking to the future with me. Enough said. I look forward to working with each of you.

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