

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2004.

OR

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 1-4422

ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation  
or organization)

51-0068479  
(I.R.S. Employer  
Identification No.)

2170 Piedmont Road, N.E., Atlanta, Georgia  
(Address of principal executive offices)

30324  
(Zip Code)

(404) 888-2000  
(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 is an accelerated filer (as defined in rule 12b-2 of the Exchange Act).

Yes  No

Rollins, Inc. had 45,651,470 shares of its \$1 Par Value Common Stock outstanding as of July 15, 2004.

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ROLLINS, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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ROLLINS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(In thousands except share and per share data)

		June 30, 2004	December 31, 2003
		----- (Unaudited) -----	----- ----- -----
<S>	<C>	<C>	<C>
<b>ASSETS</b>			
	Cash and Short-Term Investments	\$ 21,865	\$ 59,540
	Marketable Securities	0	21,866
	Trade Receivables, Net of Allowance for Doubtful Accounts of \$5,300 and \$4,616, respectively	62,765	48,471
	Materials and Supplies	12,157	9,837
	Deferred Income Taxes	21,633	23,243
	Other Current Assets	10,441	7,414
		-----	-----
	Current Assets	128,861	170,371
	Equipment and Property, Net	45,313	35,836
	Goodwill	113,853	72,498
	Customer Contracts and Other Intangible Assets	82,166	30,333
	Deferred Income Taxes	8,860	15,902
	Other Assets	30,908	24,964
		-----	-----
	Total Assets	\$ 409,961	\$ 349,904
		=====	=====
<b>LIABILITIES</b>			
	Accounts Payable	\$ 14,756	\$ 12,290
	Accrued Insurance	13,050	13,050
	Accrued Payroll	33,313	31,019
	Unearned Revenue	58,511	46,007
	Accrual for Termite Contracts	21,704	21,500
	Other Current Liabilities	30,306	21,156
		-----	-----
	Current Liabilities	171,640	145,022
	Accrued Insurance, Less Current Portion	26,641	26,024
	Accrual for Termite Contracts, Less Current Portion	23,621	22,373
	Long-Term Accrued Liabilities	18,482	17,711
		-----	-----
	Total Liabilities	240,384	211,130
		-----	-----
Commitments and Contingencies			
<b>STOCKHOLDERS' EQUITY</b>			
	Common Stock, par value \$1 per share; 99,500,000 shares authorized; 45,638,134 and 45,156,674 shares issued and outstanding, respectively	45,638	45,157
	Additional Paid-In Capital	7,491	4,408
	Accumulated Other Comprehensive Loss	(414)	(314)
	Unearned Compensation	(3,792)	(239)
	Retained Earnings	120,654	89,762
		-----	-----
	Total Stockholders' Equity	169,577	138,774
		-----	-----
	Total Liabilities and Stockholders' Equity	\$ 409,961	\$ 349,904
		=====	=====

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</FN>  
</TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands except per share data)  
(Unaudited)

Months Ended		Three Months Ended		Six	
		June 30,		June	
		2004	2003	2004	
30,					
-----		-----	-----	-----	
2003					
-----		-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
<C>					
REVENUES					
	Customer Services	\$ 207,698	\$ 185,105	\$ 366,390	\$
340,227		-----	-----	-----	
-----					
COSTS AND EXPENSES					
	Cost of Services Provided	105,442	95,558	190,799	
179,484					
	Depreciation and Amortization	5,764	5,037	10,421	
10,193					
	Sales, General & Administrative	69,155	62,312	123,330	
116,688					
	Gain on Sale of Assets	(14,143)	(67)	(14,142)	
(69)					
	Interest Income	(47)	(94)	(197)	
(160)		-----	-----	-----	
-----					
306,136		166,171	162,746	310,211	
-----		-----	-----	-----	
INCOME BEFORE INCOME TAXES		41,527	22,359	56,179	
34,091		-----	-----	-----	
-----					
PROVISION FOR INCOME TAXES					
	Current	10,250	7,290	14,911	
10,753					
	Deferred	7,467	1,207	8,740	
2,202		-----	-----	-----	
-----					
12,955		17,717	8,497	23,651	
-----		-----	-----	-----	
NET INCOME		\$ 23,810	\$ 13,862	\$ 32,528	\$
21,136		=====	=====	=====	
=====					
EARNINGS PER SHARE - BASIC		\$ 0.52	\$ 0.31	\$ 0.72	\$
0.47		=====	=====	=====	
=====					
EARNINGS PER SHARE - DILUTED		\$ 0.51	\$ 0.30	\$ 0.70	\$
0.46		=====	=====	=====	
=====					
Average Shares Outstanding---Basic		45,552	45,117	45,425	
45,015					
Average Shares Outstanding---Diluted		46,753	46,404	46,698	
46,258					

DIVIDENDS PER SHARE \$ 0.06 \$ 0.05 \$ 0.12 \$  
 0.10

=====

<FN>  
 The accompanying notes are an integral part of these consolidated financial statements.

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 </TABLE>

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ROLLINS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)  
 (Unaudited)

<TABLE>  
 <CAPTION>

	Six Months Ended June 30,	
2003	2004	
	-----	-----
	<C>	<C>
OPERATING ACTIVITIES		
21,136	\$ 32,528	\$
Net Income		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
10,193	10,421	
Depreciation and Amortization		
2,364	8,740	
Deferred Income Taxes		
163	202	
Other, Net		
0	(14,142)	
Gain on Sale of Assets		
(Increase) Decrease in Assets, Net of Businesses Acquired:		
(6,517)	(7,390)	
Trade Receivables		
(358)	(655)	
Materials and Supplies		
(1,566)	(2,578)	
Other Current Assets		
(60)	(2,235)	
Other Non-Current Assets		
Increase (Decrease) in Liabilities, Net of Businesses Acquired:		
11,874	10,172	
Accounts Payable and Accrued Expenses		
1,799	5,668	
Unearned Revenue		
177	(1,643)	
Accrued Insurance		
(466)	1,076	
Accrual for Termite Contracts		
(5,864)	(4,393)	
Long-Term Accrued Liabilities		
	-----	-----
32,875	35,771	
Net Cash Provided by Operating Activities		
	-----	-----
INVESTING ACTIVITIES		
0	21,866	
Sale of Marketable Securities, Net		
(2,332)	(3,751)	
Purchases of Equipment and Property		
(1,508)	(103,155)	
Acquisitions		
0	15,468	
Proceeds From Sale of Assets, Net of Deferred Gain		
	-----	-----
(3,840)	(69,572)	
Net Cash Used in Investing Activities		
	-----	-----
FINANCING ACTIVITIES		
	(5,451)	
Dividends Paid		

(4,500)	Other	1,577	
2,015			
-----		-----	-----
(2,485)	Net Cash Used in Financing Activities	(3,874)	
-----		-----	-----
26,550	Net (Decrease) Increase in Cash and Short-Term Investments	(37,675)	
38,315	Cash and Short-Term Investments At Beginning of Period	59,540	
-----		-----	-----
64,865	Cash and Short-Term Investments At End of Period	\$ 21,865	\$
=====		=====	=====

<FN>

The accompanying notes are an integral part of these consolidated financial statements.

</FN>

</TABLE>

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ROLLINS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 1. BASIS OF PREPARATION AND OTHER

Basis of Preparation - The consolidated financial statements included herein have been prepared by Rollins, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q. These consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standard No. 94, Consolidation of All Majority-Owned Subsidiaries ("SFAS 94") and Rule 3A-02(a) of Regulation S-X. In accordance with SFAS 94 and with Rule 3A-02(a) of Regulation S-X, the Company's policy is to consolidate all subsidiaries and investees where it has voting control. The Company does not have any subsidiaries or investees where it has less than a 100% equity interest or less than 100% voting control, nor does it have any interest in other investees, joint ventures, or other entities that require consolidation.

Footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company's annual report on Form 10-K for the year ended December 31, 2003.

In the opinion of management, the consolidated financial statements included herein contain all adjustments, consisting of a normal recurring nature, necessary to present fairly the financial position of the Company as of June 30, 2004 and December 31, 2003, and the results of its operations and cash flows for the three and six months ended June 30, 2004 and 2003. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The Company has only one reportable segment, its pest and termite control business. The Company's results of operations and its financial condition are not reliant upon any single customer or a few customers or the Company's foreign operations.

Estimates Used in the Preparation of Consolidated Financial Statements - The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires Management to make estimates and assumptions that affect the amounts reported in the accompanying notes and financial statements. Actual results could differ from those estimates.

Cash and Short-Term Investments - The Company considers all investments with a maturity of three months or less to be cash equivalents. Short-term investments, all of which are cash equivalents, are stated at cost, which approximates fair market value.

Marketable Securities - From time to time, the Company maintains investments held by several large, well-capitalized financial institutions. The Company's investment policy does not allow investment in any securities rated less than "investment grade" by

national rating services.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designations as of each balance sheet date. Debt securities are classified as available-for-sale because the Company does not have the intent to hold the securities to maturity. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest income. In the first quarter of 2004, the Company sold the balance of its marketable securities, the proceeds of which were used to pay the primary portion of the Western Industries, Inc. acquisition completed in the second quarter of 2004. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. The Company's marketable securities generally consist of United States government, corporate and municipal debt securities.

Comprehensive Income (Loss) - Other Comprehensive Income (Loss) results from foreign currency translations and unrealized gain/losses on marketable securities.

New Accounting Standards - In December 2002, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). The Interpretation requires that a variable interest entity be consolidated

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by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN 46 were effective in 2003 for all variable interest entities created or acquired after January 31, 2003. In December 2003, the Financial Accounting Standards Board issued a revision to FIN 46 referred to as Interpretation No. 46 (R). Among other provisions, the revision extended the adoption date of FIN 46 (R) to the first quarter of 2004 for variable interest entities created prior to February 1, 2003. The Company adopted FIN 46 (R) in the first quarter of 2004 for variable interest entities created prior to February 1, 2003. The adoption did not have a significant effect on the Company's financial position or results of operations.

Franchising Program - Orkin had 46 franchises as of June 30, 2004, including international franchises in Mexico, established in 2000, and Panama, established in 2003. Transactions with franchises involve sales of customer contracts to establish new franchises, initial franchise fees and royalties. The customer contracts and initial franchise fees are typically sold for a combination of cash and notes due over periods ranging up to 5 years. As of June 30, 2004 and December 31, 2003, notes receivable from franchises aggregated \$4.7 million and \$3.9 million, respectively. The Company recognizes gains from the sale of customer contracts at the time they are sold to franchises and collection on the notes is reasonably assured. The gain amounted to approximately \$41,000 in the second quarter of 2004 compared to \$481,000 in second quarter of 2003, and is included as revenues in the accompanying Consolidated Statements of Income. The Company has recognized gains from the sale of customer contracts of approximately \$0.9 million for the six months ended June 30, 2004, as compared to approximately \$2.1 million for the six months ended June 30, 2003. Initial franchise fees are deferred for the duration of the initial contract period and are included as unearned revenue in the Consolidated Statements of Financial Position. Deferred franchise fees amounted to \$1.5 million and \$1.4 million at June 30, 2004 and December 31, 2003, respectively. Royalties from franchises are accrued and recognized as revenues as earned on a monthly basis. Revenues from royalties were \$464,000 in the second quarter of 2004 compared to \$419,000 in the second quarter of 2003 and were \$811,000 and \$656,000 for the six months ended June 30, 2004 and 2003, respectively. The Company's maximum exposure to loss relating to the franchises aggregated \$3.2 million and \$2.5 million at June 30, 2004 and December 31, 2003, respectively.

Fair Value of Financial Instruments - The Company's financial instruments consist of cash, short-term investments, marketable securities, trade and notes receivables, accounts payable and other short-term liabilities. The carrying amounts of these financial instruments approximate their fair values.

Seasonality - The revenues of the Company are affected by the seasonal nature of the Company's pest and termite control services as evidenced by the following chart.

	Total Net Revenues		
	2004	2003	2002
First Quarter	\$158,692	\$155,122	\$153,302
Second Quarter	207,698	185,105	184,189
Third Quarter	N/A	178,262	174,063
Fourth Quarter	N/A	158,524	153,871

NOTE 2. EARNINGS PER SHARE

In accordance with SFAS No. 128, Earnings Per Share ("EPS"), the Company presents basic EPS and diluted EPS. Basic EPS is computed on the basis of weighted-average shares outstanding. Diluted EPS is computed on the basis of weighted-average shares outstanding plus common stock options outstanding during the year which, if exercised, would have a dilutive effect on EPS. A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

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Months Ended	Three Months Ended		Six
	June 30,		June
	2004	2003	2004
2003			
(In thousands except per share data amounts)			
<S> <C> <C>	<C>	<C>	<C>
Basic and diluted earnings available to stockholders (numerator):	\$23,810	\$13,862	\$32,528
\$21,136			
Shares (denominator):			
Weighted-average shares outstanding	45,552	45,117	45,425
45,015			
Effect of Dilutive securities:			
Employee Stock Options	1,201	1,287	1,273
1,243			
Adjusted Weighted-Average Shares and Assumed Exercises	46,753	46,404	46,698
46,258			
Per share amounts:			
Basic earnings per common share	\$0.52	\$0.31	\$0.72
\$0.47			
Diluted earnings per common share	\$0.51	\$0.30	\$0.70
\$0.46			

</TABLE>

NOTE 3. LEGAL PROCEEDINGS

Orkin, one of the Company's subsidiaries, is a named defendant in Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al. pending in the District Court of Houston County, Alabama. The plaintiffs in the above mentioned case filed suit in March of 1996 and are seeking monetary damages and injunctive relief for alleged breach of contract arising out of alleged missed or inadequate reinspections. The attorneys for the plaintiffs contend that the case is suitable for a class action and the court has ruled that the plaintiffs would be permitted to pursue a class action lawsuit against Orkin. Orkin believes this case to be without merit and intends to defend itself vigorously at trial. The trial has been continued and a new date has not been set. At this time, the final outcome of the litigation cannot be determined. However, in the opinion of Management, the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Orkin is also a named defendant in Butland et al. v. Orkin Exterminating Company, Inc. et al. pending in the Circuit Court of Hillsborough County, Tampa, Florida. The plaintiffs filed suit in March of 1999 and are seeking monetary damages and injunctive relief. The Court ruled in early April 2002, certifying the class action

lawsuit against Orkin. Orkin appealed this ruling to the Florida Second District Court of Appeals which remanded the case back to the trial court for further findings. Orkin believes this case to be without merit and intends to defend itself vigorously through trial, if necessary. At this time, the final outcome of the litigation cannot be determined. However, in the opinion of Management, the ultimate resolution of this action will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Orkin is involved in certain environmental matters primarily arising in the normal course of business. In the opinion of Management, the Company's liability under any of these matters would not materially affect its financial condition or results of operations.

Orkin has received from the Office of the Florida Attorney General a subpoena for documents relating to the company's termite work in the state of Florida. Orkin is cooperating fully with the Office of the Attorney General.

Additionally, in the normal course of business, Orkin is a defendant in a number of lawsuits, which allege that plaintiffs have been damaged as a result of the rendering of services by Orkin personnel and equipment. Orkin is actively contesting these actions. Certain of these lawsuits have been filed (Ernest W. Warren and Dolores G. Warren et al. v. Orkin Exterminating Company, Inc., et al.; Francis D. Petsch, et al. v. Orkin Exterminating Company, Inc. et al.; and Bob J. Stevens v. Orkin Exterminating Company, Inc. and Rollins, Inc.) in which the Plaintiffs are seeking certification of a class. The cases originate in Georgia, Florida, and Texas. Furthermore, the Company has been named a defendant in Larry Hanna, et. al. v. Rollins, Inc. dba Rollins Service Bureau pending in the District Court for the Northern District of Indiana (Hammond Division) in which the Plaintiffs are seeking certification of a class. The Company does not believe that any of these actions, individually, is material to the Company. The action alleges violation of the Fair Debt Collection Practices Act. The Company believes all of these cases to be without merit and intends to vigorously contest certification and defend itself through trial, if necessary. In the opinion of Management, the outcome of these actions will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

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NOTE 4. STOCKHOLDERS' EQUITY

During the second quarter and six months ended June 30, 2004, approximately 125,000 and 374,000 shares of common stock were issued upon exercise of stock options by employees. As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company accounts for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. No stock-based employee compensation cost is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

<TABLE>  
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>
\$21,136	\$23,810	\$13,862	\$32,528	
(966)	(202)	(483)	(404)	
\$20,170	\$23,608	\$13,379	\$32,124	
\$0.47	\$0.52	\$0.31	\$0.72	



\$0.45	Basic-pro forma	\$0.52	\$0.30	\$0.71
\$0.46	Diluted-as reported	\$0.51	\$0.30	\$0.70
\$0.44	Diluted-pro forma	\$0.50	\$0.29	\$0.69

NOTE 5. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss consists of the following (in thousands):

	Minimum Pension Liability	Foreign Currency Transaltion	Unrealized Loss on Marketable Securities	Total
Balance at January 1, 2003	\$ (16,182)	\$ (765)	\$ 0	\$ (16,947)
Change during 2003:				
Before-tax amount..	26,079	842	(108)	26,813
Tax benefit (expense)	(9,897)	(324)	41	(10,180)
	16,182	518	(67)	16,633
Balance at December 31, 2003	\$ 0	\$ (247)	\$ (67)	\$ (314)
Change during first six months of 2004:				
Before-tax amount..	0	(281)	108	(173)
Tax benefit (expense)	0	114	(41)	73
	0	(167)	67	(100)
Balance at June 30, 2004	\$ 0	\$ (414)	\$ 0	\$ (414)

</TABLE>

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NOTE 6. ACCRUAL FOR TERMITE CONTRACTS

The Company maintains an accrual for termite contracts representing the estimated costs of reapplications, repair claims and associated labor, chemicals, and other costs relative to termite control services performed prior to the balance sheet date. A reconciliation of the beginning and ending balances of the accrual for termite contracts is as follows:

(In thousands)	Six Months Ended June 30,	
	2004	2003
Beginning Balance	\$43,873	\$46,446
Current Period Provision	9,793	12,592
Settlements, Claims and Expenditures Made During the Period	(8,734)	(13,058)
Western	393	0
Ending Balance	\$45,325	\$45,980

NOTE 7. PENSION AND POST-RETIREMENT BENEFIT PLANS

The following represents the net periodic pension benefit costs and related components in accordance with SFAS 132 ( R ):

Components of Net Pension Benefit Cost

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Service Cost	\$1,297	\$1,171	\$2,594	\$2,342
Interest Cost	2,074	1,950	4,148	3,900
Expected Return on Plan Assets	(2,394)	(2,123)	(4,788)	(4,246)
Amortization of:				
Prior Service Benefit	(217)	(217)	(434)	(434)
Unrecognized Net Loss	845	506	1,690	1,012
Net Periodic Benefit Cost	\$1,605	\$1,287	\$3,210	\$2,574

</TABLE>

A contribution of \$3.0 million was made to the pension plan in April 2004. The Company expects to contribute an additional amount up to \$3.0 million to the pension plan in 2004.

NOTE 8. RELATED PARTY TRANSACTIONS

On April 28, 2004, the Company sold real estate in Okeechobee County, Florida to LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins, Inc. and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc. for \$16.6 million in cash. The sale resulted in a net gain after tax of \$8.1 million or \$0.17 per share since the real estate had appreciated over approximately 30 years it had been owned by the Company. The Company deferred a portion of the gain pending the completion of a survey that may result in the return of a portion of the proceeds. The real estate was under a lease agreement with annual rentals of \$131,939 that expired June 30, 2007. On May 28, 2004, the Company sold real estate in Sussex County, Delaware to LOR, Inc. for \$111,000 in cash. The sale resulted in an immaterial net gain after tax. The Board of Directors, at its quarterly meeting on January 27, 2004, approved the formation of a committee (the "Committee") made up of Messrs. Bill J. Dismuke and James B. Williams, who are independent directors, to evaluate the transactions. The Committee was furnished with full disclosure of the transactions, including independent appraisals, and determined that the terms of the transactions were reasonable and fair to the Company. The Company is also contemplating the sale of an additional piece of real estate in Sussex County, Delaware to LOR, Inc. or an entity wholly owned by LOR, Inc. In addition, the Company is contemplating the purchase of real estate located at 2158 Piedmont Road, N.E., Atlanta, Georgia 30324, adjacent to the Company's headquarters, from LOR, Inc.

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NOTE 9. ACQUISITIONS

On April 30, 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Western Pest Services ("Western"), and the Company's consolidated financial statements include the operating results of Western from the date of the acquisition. Neither Western nor its principals had any prior relationship with the Company or its affiliates. Western was engaged in the provision of pest control services and the Company intends to continue this business. The acquisition was made pursuant to an Asset Purchase Agreement (the "Western Agreement") dated March 8, 2004, between Rollins, Inc. and Western Industries, Inc. and affiliates. The consideration for the assets and certain noncompetition agreements (the "Purchase Price") was approximately \$106.6 million, including approximately \$7.0 million of assumed liabilities and excluding all consideration of Residex Corporation. The Purchase Price was funded with cash on hand, the sale of property located in Okeechobee County, Florida and a \$15.0 million senior unsecured revolving credit facility.

Pursuant to the Western Agreement, the Company acquired substantially all of Western's property and assets, including accounts receivable, real property leases, seller contracts, governmental authorizations, data and records, intangible rights and property and insurance benefits. As described in the Western Agreement, the Company assumed only specified liabilities of Western, including current balance sheet liabilities of the seller and obligations under disclosed assigned contracts.

The Company engaged an independent valuation firm to determine the allocation of the purchase price to Goodwill and identifiable Intangible assets. Such valuation resulted in the allocation of \$41.3 million to Goodwill and \$55.2 million to other intangible assets, principally customer contracts. The finite-lived intangible assets, principally customer contracts, are being amortized over periods principally ranging from 8 to 12.5 years on a straight-lined basis.

On April 30, 2004, in a transaction ancillary to the Western acquisition, the Company acquired Residex Corporation ("Residex"), a company that distributes chemicals and other products to pest management professionals, pursuant to an Asset Purchase Agreement (the "Residex Agreement") dated March 8, 2004, between Rollins, Inc. and Western Industries, Inc., JBD Incorporated and Residex Corporation. Subsequently on April 30, 2004, the Company sold Residex to an industry distribution group. The amounts involved were not material and no gain or loss was recognized on the transaction.

Prior to the acquisition, Western Pest Services was recognized as a

premier pest control business and ranked as the 8th largest company in the industry. Based in Parsippany, NJ, the Company provides pest elimination and prevention to homes and businesses to over 130,000 customers from New York to Virginia with additional operations in Georgia and Florida. Western is primarily a commercial pest control service company and its existing businesses complement most of the services that Orkin offers, in an area of the country in which Orkin has not been particularly strong, the Northeast. The Company's consolidated statements of income include the results of operations of Western for the period beginning May 1, 2004 through June 30, 2004.

NOTE 10. PRO FORMA FINANCIAL INFORMATION

The pro forma financial information presented below gives effect to the Western acquisition as if it had occurred as of the beginning of our fiscal year 2004 and 2003, respectively. The information presented below is for illustrative purposes only and is not necessarily indicative of results that would have been achieved if the acquisition actually had occurred as of the beginning of such years or results which may be achieved in the future.

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<TABLE>  
<CAPTION>

Months Ended	Three Months Ended		Six	
	June 30,		June	
30,				
-----	-----		-----	
2003	2004	2003	2004	
-----	-----		-----	
<S>	<C>	<C>	<C>	
<C>				
REVENUES				
Customer Services	\$ 215,240	\$ 204,982	\$ 393,068	\$
377,817	=====	=====	=====	
=====				
INCOME BEFORE INCOME TAXES	41,071	21,049	56,137	
32,103	=====	=====	=====	
=====				
NET INCOME	\$ 23,549	\$ 13,050	\$ 32,513	\$
19,904	=====	=====	=====	
=====				
EARNINGS PER SHARE - BASIC	\$ 0.52	\$ 0.29	\$ 0.72	\$
0.44	=====	=====	=====	
=====				
EARNINGS PER SHARE - DILUTED	\$ 0.50	\$ 0.28	\$ 0.70	\$
0.43	=====	=====	=====	
=====				
Average Shares Outstanding---Basic	45,552	45,117	45,425	
45,015				
Average Shares Outstanding---Diluted	46,753	46,404	46,698	
46,258				

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company's investment in its new marketing and sales initiatives and continued emphasis on customer retention as well as the acquisition of Western, resulted in revenue growth of 12.2% in the second quarter of 2004 compared to the second quarter of 2003.

For the second quarter of 2004, the Company had net income of \$23.8 million compared to net income of \$13.9 million in the second quarter of 2003, which represents a 71.8% increase. Included in second quarter's net income was a one-time gain from the sale of assets of \$8.1 million, net of tax, or \$0.17 per share. In addition to the revenue increase of 12.2%, the Company's Cost of

Services Provided decreased 0.8 percentage points, as a percentage of revenues, and the Company achieved an improvement in Sales, General and Administrative expenses of 0.4 percentage point, as a percentage of revenues.

The financial results for the second quarter of 2004 were positively impacted by the continued benefit of our recent service and sales and marketing initiatives, which included every-other-month residential pest control service, Gold Medal premium commercial pest control services, the investment in Business Development Managers for every Orkin division, the Commercial Pest Control Quality Assurance Program, termite directed liquid and baiting treatment, and the creation of or enhancement of regional call centers, which have enabled better accountability over leads and better coordination of scheduling starts for new customers.

The Company finalized the acquisition of Western on April 30, 2004 and reported an additional \$13.7 million in revenues for the second quarter of 2004. Western also contributed approximately \$3.0 million to the Company's cash flow for the second quarter of 2004 however, it did not contribute to the Company's earnings, due to goodwill amortization and some post acquisition related expenses. The Company was able to fund all but \$15.0 million of the \$110.0 million that it paid for Western primarily with cash on-hand. The Company's strong cash flow allowed it to end the second quarter of 2004 with zero debt from the acquisition, and \$21.9 million in cash and short-term investments.

The improving results that the Company reported for both the quarter and first six months of 2004 are primarily attributable to the success it is having in implementing its 2004 initiatives. The Company set the bar high for Orkin this year, as it does each year, and is on track to improve its performance in sales, customer and employee retention and profitability.

Residential pest control growth is being driven by service improvements, primarily in lead generation. The "market segmentation" work that the Company had done previously, in which it identified the ideal customer groups for Orkin is contributing to the financials and quality of phone leads. The three segments the Company is targeting are 1) Big Branders, those who want the best and are willing to pay for it; 2) Relationship Seekers, prospects concerned about pest prevention and driven by reputation, responsiveness and trust, 3) and Safety First customers, those seeking a pest control company with the most professional, best

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trained and knowledgeable technicians. These characteristics are all attributes that Orkin delivers every day and the Company believes its advertising is hitting these objectives.

This year the Company is also attracting more prospective customers to its Orkin.com web site. In the first quarter of 2002, the Company had 25 leads on its site. This year it generated approximately 3,600 leads. Having a user friendly web site, at a time where people are using the Internet more and more to manage their active lives, shall prove to be an important channel for generating leads and improving sales in the future.

The Company has also achieved greater efficiency in the handling and capturing of phone inquiries from prospective customers. It has moved more of its branch telephone calls to regional centers. The use of these centers means fewer dropped leads, and the ability to route calls when demand peaks to a "backup" call center that can take the call. The Company has also upgraded the phone equipment and skill set of the people who handle these calls. As a result of these two actions, the Company is experiencing an improved rate of closure at these locations and positive increases in leads in part because it can better control their documentation and handling. This improved accountability should enable the Company to build a better database for future direct mail solicitation or telemarketing.

The Company continues to invest in its commercial business area, where its strategy has moved from building awareness to industry specific targeted programs. The Company continues to see increased interest in its Gold Medal initiative, which was introduced last year and addresses the food processing industry. The Company is also enjoying favorable revenue momentum as a result of its national account business.

On July 1, 2004, the Company announced that Orkin will formally work with the U.S. Centers for Disease Control and Prevention ("CDC") on educational projects targeting pest-related health risks. Over the next 12 months the Company will collaborate with the CDC on three major shared efforts.

- o First, the Company will be co-developing materials for Orkin training and customer service, which will assist Orkin's pest management professionals in providing more comprehensive information to their customers. Included in this information will be prevention guidance on vector-borne and zoonotic diseases. These are diseases that are transmitted to humans by fleas and ticks.
- o Second, together with the CDC, it will develop and distribute public information regarding pests and prevention of associated infectious diseases.

- o And at the same time, the Company will be expanding health-related information on Orkin's web site [www.orkin.com](http://www.orkin.com).

With increased concern over pest-related diseases over the past few years, the Company and the CDC recognize the importance to do a better job informing the public. The Company believes that this collaboration will enhance its ability to share important information with the public about health risks from certain pests and allow it to enhance its award-winning training and customer service while further distinguishing Orkin as the pest control leader.

The Company continues to expand its growth through the Orkin franchise program. This program is primarily used in smaller markets where it is currently not economically feasible to locate a conventional Orkin branch. There is a contractual buyback provision at the Company's option with a pre-determined purchase price using a formula applied to revenues of the franchise. There were 46 Company franchises at the end of the first quarter of 2004 compared to 44 at December 31, 2003.

Results of Operations

Better/ as Compared to Year	Three Months Ended		% Better/ Worse as	Six Months Ended		% Worse
	June 30,		Compared to	June 30,		Prior
	2004	2003	2004	2004	2003	
(in thousands) 2004						
Revenues	\$207,698	\$185,105	12.2%	\$366,390	\$340,227	
7.7% Cost of Services Provided (6.3)	105,442	95,558	(10.3)	190,799	179,484	
Depreciation and Amortization (2.2)	5,764	5,037	(14.4)	10,421	10,193	
Sales, General and Administrative (5.7)	69,155	62,312	(11.0)	123,330	116,688	
Gain on Sale of Assets N/M	(14,143)	(67)	N/M	(14,142)	(69)	
Interest Income 23.1	(47)	(94)	(50.0)	(197)	(160)	
Income Before Income Taxes 64.8	41,527	22,359	85.7	56,179	34,091	
Provision for Income Taxes (82.6)	17,717	8,497	(108.5)	23,651	12,955	
Net Income 53.9%	\$23,810	\$ 13,862	71.8%	\$ 32,528	\$ 21,136	

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Revenues for the quarter ended June 30, 2004 increased to \$207.7 million, an increase of \$22.6 million or 12.2%, inclusive of the Western acquisition completed on April 30, 2004 and the additional termite renewals deferred from the first quarter of 2004 and recognized in the second quarter of 2004, from last year's second quarter revenues of \$185.1 million. For the second quarter of 2004 the primary revenue driver was the acquisition of Western as well as the residential pest control business, which grew at 6.8%. The Company's movement over the last year to regional incoming call centers has led to greater efficiency in the handling and capturing of calls and with the improved closure, greater sales and revenue. Every-other-month service, our primary residential pest control service offering, continues to grow in importance, comprising 55.3% of our residential pest control customer base at June 30, 2004. Revenues for the six month period ended June 30, 2004 increased to \$366.4 million, an increase of \$26.2 million or 7.7% from last year's first six month period revenues of \$340.2 million. The Company's foreign operations accounted for approximately 6% of total second quarter revenues of 2004 compared to approximately 6% in the second quarter of 2003.

The revenues of the Company are affected by the seasonal nature of the Company's pest and termite control services as evidenced by the following chart.

Total Net Revenues

	2004	2003	2002
First Quarter	\$158,692	\$155,122	\$153,302
Second Quarter	207,698	185,105	184,189
Third Quarter	N/A	178,262	174,063
Fourth Quarter	N/A	158,524	153,871

Cost of Services Provided for the second quarter ended June 30, 2004 increased \$9.9 million or 10.3%, although the expense expressed as a percentage of revenues decreased by 0.8 percentage points, representing 50.8% of revenues for the second quarter 2004 compared to 51.6% of revenues in the prior year second quarter. For the first six months of 2004, Cost of Services Provided increased \$11.3 million or 6.3%, while margins improved by 0.7 percentage points, representing 52.1% of revenues for the first six months of 2004 compared to 52.8% of revenues in the prior year. Cost of Services Provided as a percentage of revenues decreased primarily due to continuing improvements in insurance and claims, as well as continued employee productivity improvements at Orkin. These were partially offset by Western's higher Cost of Services Provided as a percentage of revenues. One area in which the Company experienced some minor expense increases was fleet, which was the result of higher lease, fuel and the cost of the Western fleet.

Sales, General and Administrative for the second quarter ended June 30, 2004 increased \$6.8 million or 11.0% and, as a percentage of revenues, improved by 0.4 percentage points or 0.9%, representing 33.3% of total revenues compared to 33.7% for the prior year quarter. For the first six months of 2004, Sales, General and Administrative increased \$6.6 million or 5.7%, while margins improved by 0.6 percentage points, representing 33.7% of revenues for the first six months of 2004 compared to 34.3% of revenues in the prior year. The decrease in Sales, General and Administrative as a percentage of revenue was mainly attributable to the absence of an ineffective advertising campaign that was conducted in Canada in 2003. The savings were partially offset by the higher Sales, General and Administrative costs of Western.

Depreciation and Amortization expenses for the quarter ended June 30, 2004 were \$727,000, or 14.4%, higher than the prior year quarter. For the first six months of 2004, Depreciation and Amortization expenses were approximately \$228,000, or 2.2%, higher than the prior year. The increase was due to the addition of depreciation and amortization from the acquisition of Western partially offset by lower capital spending and certain technology assets becoming fully depreciated in the last twelve months. As part of the Western acquisition, \$55.2 million of finite-lived intangible assets, principally customer contracts, were acquired. They will be amortized over periods principally ranging from 8 to 12.5 years. This represents a non-cash charge and will increase our amortization by approximately \$6.0 million to approximately \$12.8 million per year.

The Company's tax provision of \$17.7 million for the second quarter ended June 30, 2004 reflects increased pre-tax income over the prior year period and an increase in the effective tax rate. The effective tax rate was 42.7% for the second quarter ended June 30, 2004, up from 38.0% for the second quarter ended June 30, 2003. The increase reflects increases in the Company's effective state income tax rate, a "true-up" adjustment to deferred income taxes, as well as the impact of permanent differences associated with the Company's Canadian operations.

#### Critical Accounting Policies

We view critical accounting policies to be those policies that are very important to the portrayal of our financial condition and results of operations, and that require Management's most difficult, complex or subjective judgments. The circumstances that

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make these judgments difficult or complex relate to the need for Management to make estimates about the effect of matters that are inherently uncertain. We believe our critical accounting policies to be as follows:

Accrual for Termite Contracts--The Company maintains an accrual for termite contracts representing the estimated costs of reapplications, repair claims, associated labor and chemicals, settlements, awards and other costs relative to termite control services performed prior to the balance sheet date. The Company contracts an independent third party actuary on an annual basis to provide the Company an estimate of the liability based upon historical claims information for the largest portion of the accrual. In addition, Management estimates and accrues for costs outside the scope of the actuarial study including the estimated costs of retreatments, representing costs to be incurred that are estimatable at the balance sheet date, as well as liability and costs associated with claims in litigation. The actuarial study and historical experience are major considerations in determining the accrual balance, along with Management's knowledge of changes in business practices, contract changes, ongoing claims, and termite remediation trends. The accrual is established based on all these factors. Management makes judgments utilizing these operational and other factors but recognizes that they are inherently subjective due to the difficulty in predicting settlements and awards. Other factors that may impact future cost

include chemical life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to accurately predict future significant claims. Positive changes to our business practices include revisions made to our contracts, more effective treatment methods that include a directed-liquid baiting program, more effective termiticides, and expanded training methods and techniques.

Accrued Insurance--The Company self-insures, up to specified limits, certain risks related to general liability, workers' compensation and vehicle liability. The estimated costs of existing and future claims under the self-insurance program are accrued based upon historical trends as incidents occur, whether reported or unreported (although actual settlement of the claims may not be made until future periods) and may be subsequently revised based on developments relating to such claims. The Company contracts an independent third party actuary on an annual basis to provide the Company an estimated liability based upon historical claims information. The actuarial study is a major consideration, along with Management's knowledge of changes in business practices and existing claims compared to current balances. The reserve is established based on all these factors. Management's judgment is inherently subjective and a number of factors are outside Management's knowledge and control. Additionally, historical information is not always an accurate indication of future events. It should be noted that the number of claims has been decreasing due to the Company's proactive risk management to develop and maintain ongoing programs. However, it is not possible to accurately predict future significant claims. Initiatives that have been implemented include pre-employment screening and an annual motor vehicle report required on all its drivers, utilization of a Global Positioning System that has been fully deployed to our Company vehicles, post-offer physicals for new employees, and pre-hire, random and post-accident drug testing. The Company has improved the time required to report a claim by utilizing a "Red Alert" program that provides serious accident assessment twenty four hours a day and seven days a week and has instituted a modified duty program that enables employees to go back to work on a limited-duty basis.

Revenue Recognition--The Company's revenue recognition policies are designed to recognize revenues at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature on a monthly or bi-monthly basis, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial one-year contract, and revenues are recognized at the time services are performed. For pest control customers, the Company offers a discount for those customers who prepay for a full year of services. The Company defers recognition of these advance payments and recognizes the revenue as the services are rendered. The Company classifies the discounts related to the advance payments as a reduction in revenues. Termite baiting revenues are recognized based on the delivery of the individual units of accounting. At the inception of a new baiting services contract upon quality control review of the installation, the Company recognizes revenue for the delivery of the monitoring stations, initial directed liquid termiticide treatment and installation of the monitoring services. The amount deferred is the fair value of monitoring services to be rendered after the initial service. The amount deferred for the undelivered monitoring element is then recognized as income on a straight-line basis over the remaining contract term, which results in recognition of revenue in a pattern that approximates the timing of performing monitoring visits. Baiting renewal revenue is deferred and recognized over the annual contract period on a straight-line basis that approximates the timing of performing the required monitoring visits. Traditional termite treatments are recognized as revenue at the time services are performed. Traditional termite contract renewals are recognized as revenues at the renewal date in order to match the revenue with the approximate timing of the corresponding service provided. Interest income on installment receivables is accrued monthly based on actual loan balances and stated interest rates. Franchise fees are treated as unearned revenue in the Statement of Financial Position for the duration of the initial contract period. Royalties from Orkin franchises are accrued and recognized as revenues as earned on a monthly basis. Gains on sales of pest control customer accounts to franchisees are recognized at the time of sale and when collection of the proceeds under notes are reasonably assured.

Contingency Accruals--The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, the Company estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in

consultation with outside counsel. It is not possible to accurately predict the ultimate result of the litigation. However, in the opinion of Management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations.

## Cash and Cash Flow

	Six Months Ended June 30,	
(in thousands)	2004	2003
Net Cash Provided by Operating Activities	\$ 35,771	\$ 32,875
Net Cash Used in Investing Activities	(69,572)	(3,840)
Net Cash Used in Financing Activities	(3,874)	(2,485)
Net Increase in Cash and Short-Term Investments	\$ (37,675)	\$ 26,550

The Company believes its current cash and short-term investments balances, future cash flows from operating activities and available borrowings under its \$70.0 million credit facilities will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future and the acquisition of other select pest control businesses. The Company's operating activities generated cash of \$35.8 million for the first six months ended June 30, 2004, compared with cash provided by operating activities of \$32.9 million for the same period in 2003. Cash flows from operating activities in 2004 were consistent with 2003 due primarily to higher net income and provision for deferred income taxes offset by increased gains on sale of assets.

The Company invested approximately \$3.8 million in capital expenditures during the first six months ended June 30, 2004, compared to \$2.3 million during the same period in 2003, and expects to invest between \$4.0 million and \$7.0 million for the remainder of 2004. Capital expenditures for the first six months consisted primarily of the purchase of equipment replacements and upgrades and improvements to the Company's management information systems. During the first six months, the Company made acquisitions totaling \$103.2 million, compared to \$1.5 million during the same period in 2003. Acquisitions were primarily funded by cash on hand, sales of marketable securities of approximately \$21.9 million, proceeds from sale of assets and borrowings under a senior unsecured revolving credit facility (See below for further discussion). A total of \$5.5 million was paid in cash dividends (\$0.12 per share) during the first six months of 2004, compared to \$4.5 million or \$0.10 per share during the same period in 2003. The Company did not repurchase any shares of Common Stock in the first six months of 2004 and there remain 649,684 shares authorized to be repurchased. The capital expenditures and cash dividends were funded entirely through existing cash balances and operating activities. The Company maintains \$70.0 million credit facilities with commercial banks, of which no borrowings were outstanding as of June 30, 2004 or July 15, 2004. The Company maintains approximately \$33.6 million in Letters of Credit.

On April 28, 2004, the Company entered into a \$15.0 million senior unsecured revolving credit facility. The entire amount of the credit facility was used to fund a portion of the Western Industries, Inc. acquisition that the Company closed on April 30, 2004. The Company repaid the full amount of the credit facility in May 2004.

On April 28, 2004, the Company sold real estate in Okeechobee County, Florida to LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins, Inc. and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc. for \$16.6 million in cash. The sale resulted in a net gain after tax of \$8.1 million or \$0.17 per share since the real estate had appreciated over approximately 30 years it had been owned by the Company. The Company deferred a portion of the gain pending the completion of a survey that may result in the return of a portion of the proceeds. The real estate was under a lease agreement with annual rentals of \$131,939 that expired June 30, 2007. On May 28, 2004, the Company sold real estate in Sussex County, Delaware to LOR, Inc. for \$111,000 in cash. The sale resulted in an immaterial net gain after tax. The Board of Directors, at its quarterly meeting on January 27, 2004, approved the formation of a committee (the "Committee") made up of Messrs. Bill J. Dismuke and James B. Williams, who are independent directors, to evaluate the transactions. The Committee was furnished with full disclosure of the transactions, including independent appraisals, and determined that the terms of the transactions were reasonable and fair to the Company. The Company is also contemplating the sale of an additional piece of real estate in Sussex County, Delaware to LOR, Inc. or an entity wholly owned by LOR, Inc. In addition, the Company is contemplating the purchase of real estate located at 2158 Piedmont Road, N.E., Atlanta, Georgia 30324, adjacent to the Company's headquarters, from LOR, Inc.

On April 30, 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Western Pest Services ("Western"), and the Company's consolidated financial statements include the operating results of Western from the date of the acquisition. Neither Western nor its principals had any prior relationship with the Company or its affiliates. Western was engaged in the provision of pest control services and the Company intends to continue this business. The



acquisition was made pursuant to an Asset Purchase Agreement (the "Western Agreement") dated March 8, 2004, between Rollins, Inc. and Western Industries, Inc. and affiliates. The consideration for the assets and certain noncompetition agreements (the "Purchase Price") was approximately \$106.6 million, including approximately \$7.0 million of assumed liabilities and excluding all consideration of Residex Corporation. The Purchase Price was funded with cash on hand, the sale of property located in Okeechobee County, Florida and a \$15.0 million senior unsecured revolving credit facility.

Pursuant to the Western Agreement, the Company acquired substantially all of Western's property and assets, including accounts receivable, real property leases, seller contracts, governmental authorizations, data and records, intangible rights and property and insurance benefits. As described in the Western Agreement, the Company assumed only specified liabilities of Western, including current balance sheet liabilities of the seller and obligations under disclosed assigned contracts.

The Company engaged an independent valuation firm to determine the allocation of the purchase price to Goodwill and identifiable Intangible assets. Such valuation resulted in the allocation of \$41.3 million to Goodwill and \$55.2 million to other intangible assets, principally customer contracts. The finite-lived intangible assets, principally customer contracts, are being amortized over periods principally ranging from 8 to 12.5 years on a straight-lined basis.

On April 30, 2004, in a transaction ancillary to the Western acquisition, the Company acquired Residex Corporation ("Residex"), a company that distributes chemicals and other products to pest management professionals, pursuant to an Asset Purchase Agreement (the "Residex Agreement") dated March 8, 2004, between Rollins, Inc. and Western Industries, Inc., JBD Incorporated and Residex Corporation. Subsequently on April 30, 2004, the Company sold Residex to an industry distribution group. The amounts involved were not material and no gain or loss was recognized on the transaction.

Prior to the acquisition, Western Pest Services was recognized as a premier pest control business and ranked as the 8th largest company in the industry. Based in Parsippany, NJ, the Company provides pest elimination and prevention to homes and businesses to over 130,000 customers from New York to Virginia with additional operations in Georgia and Florida. Western is primarily a commercial pest control service company and its existing businesses complement most of the services that Orkin offers, in an area of the country in which Orkin has not been particularly strong, the Northeast. The Company's consolidated statements of income include the results of operations of Western for the period beginning May 1, 2004 through June 30, 2004.

Orkin, one of the Company's subsidiaries, is aggressively defending a class action lawsuit filed in Hillsborough County, Tampa, Florida. In early April 2002, the Circuit Court of Hillsborough County certified the class action status of *Butland et al. v. Orkin Exterminating Company, Inc. et al.* Orkin is also a defendant in *Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al* pending in the District Court of Houston County, Alabama. Other lawsuits against Orkin, and in some instances the Company, are also being vigorously defended, including the Warren, Petsch, and Stevens cases. The Company has been named a defendant in *Larry Hanna, et. al. v. Rollins, Inc. dba Rollins Service Bureau* pending in the District Court for the Northern District of Indiana (Hammond Division) in which the Plaintiffs are seeking certification of a class. For further discussion, see Note 3 to the accompanying financial statements.

A contribution of \$3.0 million was made to the pension plan in April 2004. The Company expects to contribute an additional amount up to \$3.0 million to the pension plan in 2004. In the opinion of Management, additional Plan contributions will not have a material effect on the Company's financial position, results of operations or liquidity.

#### Impact of Recent Accounting Pronouncements

In December 2002, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). The Interpretation requires that a variable interest entity be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN 46 were in 2003 effective for all variable interest entities created or acquired after January 31, 2003. In December 2003, the Financial Accounting Standards Board issued a revision to FIN 46 referred to as Interpretation No. 46 (R). Among other provisions, the revision extended the adoption date of FIN 46 (R) to the first quarter of 2004 for variable interest entities created prior to February 1, 2003. The Company adopted FIN 46 (R) in the first quarter of 2004 for variable interest entities created prior to February 1, 2003. The adoption did not have a significant effect on the Company's financial position or results of operations (see Note 1 to the accompanying financial statements).

#### Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of

the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected amount and impact of potential future pension plan contributions, the expected impact of related party transactions, the outcome of litigation arising in the ordinary course of business and the outcome of the Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al.

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("Cutler") and the Butland et al. v. Orkin Exterminating Company, Inc. et al. ("Butland") litigation on the Company's financial position, results of operations and liquidity; the adequacy of the Company's resources to fund operations and obligations; the Company's projected 2004 capital expenditures; the expected performance of the commercial business, franchise growth; and the impact of recent accounting pronouncements. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks, timing and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in the Cutler, Butland or other litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; and changes in various government laws and regulations, including environmental regulations and additional risks discussed in the Company's Form 10-K for 2003. All of the foregoing risks and uncertainties are beyond the ability of the Company to control, and in many cases the Company cannot predict the risks and uncertainties that could cause its actual results to differ materially from those indicated by the forward-looking statements.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of June 30, 2004, the Company maintained an investment portfolio subject to short-term interest rate risk exposure. The Company has been affected by the impact of lower interest rates on interest income from its short-term investments. The Company is also subject to interest rate risk exposure through borrowings on its \$70.0 million credit facilities. Due to the absence of such borrowings as of June 30, 2004, this risk was not significant in the first six months of 2004 and is not expected to have a material effect upon the Company's results of operations or financial position going forward. The Company is also exposed to market risks arising from changes in foreign exchange rates. The Company believes that this foreign exchange rate risk will not have a material effect upon the Company's results of operations or financial position going forward.

#### Item 4. Controls and Procedures.

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of June 30, 2004. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level such that the material information required to be included in our Securities and Exchange Commission ("SEC") reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to Rollins, Inc., including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared.

In addition, there were no significant changes in our internal control over financial reporting during the quarter that could significantly affect these controls. As of June 30, 2004, we did not identify any significant deficiency or material weaknesses in our internal controls, and therefore no corrective actions were taken.

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## PART II OTHER INFORMATION

#### Item 1. Legal Proceedings.

See Note 3 to Part I, Item 1 for discussion of certain litigation.

#### Item 4. Submission of Matters to a Vote of Security Holders.

Because the Company's directors have staggered three-year terms, Mr. R. Randall Rollins, Mr. James B. Williams, Mr. Gary W. Rollins and Mr. Henry B. Tippie continue to serve as directors of the Company but were not up for reelection at the Company's Annual Meeting of Stockholders on April 27, 2004.

The Company's Annual Meeting of Stockholders was held on April 27, 2004. At the meeting, stockholders voted on the following proposal:

1. To elect two Class III Directors for the three-year term expiring

in 2007. Each nominee for Class III Director was elected by a vote of the stockholders as follows:

Election of Class III Directors:	For	Withheld
-----		
Wilton Looney	42,576,086	1,104,078
Bill J. Dismuke	43,168,460	511,704

Item 6. Exhibits and Reports on Form 8-K.

- (a) Exhibits
- (2) (i) Asset Purchase Agreement by and among Orkin, Inc. (as assigned to Rollins, Inc.) and Western Industries, Inc., Western Exterminating Company, Inc. et al. dated March 8, 2004 incorporated herein by reference to Exhibit (2) (i) as filed with its Form 10-Q for the quarter ended March 31, 2004, as amended.
- (2) (ii) Purchase and Sale Agreement by and among Rollins Continental, Inc. et al. dated April 28, 2004.
- (3) (i) Restated Certificate of Incorporation of Rollins, Inc. is incorporated herein by reference to Exhibit (3) (i) as filed with its Form 10-K for the year ended December 31, 1997.
- (ii) Amended and Restated By-laws of Rollins, Inc. is incorporated herein by reference to Exhibit (3) (ii) as filed with its Form 10-Q for the quarterly period ended March 31, 2004.
- (4) Form of Common Stock Certificate of Rollins, Inc. is incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
- (31.1) Certification of Chief Executive Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (31.2) Certification of Chief Financial Officer Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (32.1) Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(b) Reports on Form 8-K.

On April 28, 2004, the Company furnished a report on Form 8-K, which reported under Items 7 and 9 financial results for its first quarter ended March 31, 2004.

On April 28, 2004, the Company furnished a report on Form 8-K, which reported under Items 7 and 9 that the Board of Directors on April 27, 2004 declared a regular quarterly dividend of \$0.06 per share payable June 10, 2004 to stockholders of record at the close of business May 10, 2004.

On May 5, 2004, the Company filed a report on Form 8-K, which reported under Items 5 and 7 that on May 3, 2004, Rollins, Inc. had completed its acquisition of Western Pest Services and affiliates for a cash payment of approximately \$110.0 million.

On May 17, 2004, the Company filed a report on Form 8-K, which reported under Items 2 and 7 that on April 30, 2004, Rollins, Inc. had acquired substantially all of the assets and assumed certain liabilities of Western Pest Services.

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SIGNATURES

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

ROLLINS, INC.  
(Registrant)

Date: July 30, 2004

By: /s/ Gary W. Rollins

-----  
Gary W. Rollins  
Chief Executive Officer, President  
and Chief Operating Officer  
(Member of the Board of Directors)

Date: July 30, 2004

By: /s/ Harry J. Cynkus

-----  
Harry J. Cynkus  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting  
Officer)

PURCHASE AND SALE AGREEMENT

OKEECHOBEE COUNTY, FLORIDA

THIS PURCHASE AND SALE AGREEMENT (hereinafter referred to as the "Agreement") is made and entered into as of April 28, 2004 by and between ROLLINS CONTINENTAL, INC., a New York corporation ("Seller") and LOR INC., a Georgia corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller certain real property in accordance with the terms and conditions hereinafter provided.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00), in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser do hereby covenant and agree as follows:

ARTICLE 1  
PROPERTY

1.1 Purchase of Property. Subject to the terms of this Agreement, Seller agrees to sell and convey to Purchaser, and Purchaser agrees to buy from Seller, the following:

(a) certain real property containing approximately 8,993.20 acres more or less located in Section 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35, Township 34 South, Range 35 East, Okeechobee County, Florida, and being more particularly described on Exhibit A and incorporated herein by reference, together with all buildings, structures, improvements, appurtenances, rights, easements and rights-of-way incident thereto (collectively, the "Real Property");

(b) all tangible personal property and fixtures of any kind owned by Seller and attached to or used in connection with the ownership, maintenance, use, leasing, service, or operation of the Real Property (collectively, the "Personal Property");

(c) all intangible property of any kind owned by Seller and related to the Real Property or the Personal Property, including without limitation, Seller's rights and interests, if any, in and to the following (to the extent assignable): (a) all plans and specifications and other architectural and engineering drawings; (b) all warranties and guaranties given or made in respect; (c) all consents, authorizations, variances or waivers, licenses, applications, permits and approvals from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality (collectively, the "Intangible Property;" the Intangible Property, the Personal Property and the Real Property collectively, the "Property").

ARTICLE 2  
PURCHASE PRICE, EARNEST MONEY, CLOSING AND CONDITIONS

2.1 Purchase Price. Subject to the adjustments provided for elsewhere in this Agreement, including the Survey Purchase Price Adjustment described in Section 4.4 below, the purchase price (the "Purchase Price") for the Property shall be SIXTEEN MILLION SIX HUNDRED THIRTY-SEVEN THOUSAND AND NO/100THS DOLLARS (\$16,637,000.00). In calculating the Purchase Price, the parties have assumed that the Real Property contains approximately 8,992.97 acres of land, thus yielding a per acre price of \$1,850.00 (the "Acre Price"). Purchase Price shall be paid by Purchaser to Seller in cash at Closing by wire transfer of federal funds, or by cashier's or certified check, or by closing attorney's escrow account check, at Purchaser's election, provided that such amount shall be adjusted for the "Earnest Money" (hereinafter defined in Section 2.2 below) and the closing prorations described hereinbelow.

2.2 Earnest Money. Purchaser shall deliver to Fidelity National Title Insurance Company, Two Parkway Center, 1800 Parkway Place, Suite 700, Marietta, GA 30067 (the "Escrow Agent"), not later than two (2) business days after the date hereof, the sum of     N/A     No/100 Dollars (N/A) (the "Earnest Money"), which Earnest Money, together with any interest earned thereon, shall be either credited to or delivered to Purchaser at Closing, if not theretofore disbursed in accordance with the terms and conditions of this Agreement. After the expiration of the Inspection Period, the Earnest Money shall be at risk and shall be nonrefundable, except as expressly provided herein, including without limitation, Seller's inability, refusal or unwillingness to satisfy the closing conditions set forth in Section 5.1 below, and the terms of Sections 4.1, 4.2

and 9.2 and of Article 8.

2.3 Closing. The consummation of the purchase and sale of the Property herein contemplated (such consummation being herein referred to as the "Closing") shall take place on April 28, 2004.

In the event the date of Closing falls on a Saturday, Sunday or holiday, the date of Closing shall be extended until, and shall occur on, the next business day.

2.4 Place of Closing. The Closing shall take place at the offices of Arnall Golden Gregory LLP, at 1201 West Peachtree Street, Suite 2800, Atlanta, Georgia, or at such other place in the metropolitan Atlanta area as may be reasonably designated by Seller and Purchaser.

2.5 Exchange. Seller agrees that Seller shall cooperate with Purchaser's desire to exchange other property of like kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder, for fee title in the Property, provided that Seller shall not be obligated to incur any additional expense or liability as a result of so structuring this transaction (other than sums incurred in connection with the review of necessary exchange documents), and said exchange shall not extend the date of Closing without the mutual consent of Purchaser and Seller, nor shall Seller be required to take title to any exchange property for the benefit of Purchaser.

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Purchaser agrees that Purchaser shall cooperate with Seller's desire to exchange other property of like kind and qualifying use within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder, for fee title in the Property, provided that Purchaser shall not be obligated to incur any additional expense or liability as a result of so structuring this transaction (other than sums incurred in connection with the review of necessary exchange documents), and said exchange shall not extend the date of Closing without the mutual consent of Seller and Purchaser, nor shall Purchaser be required to take title to any exchange property for the benefit of Seller.

Reference is made to that certain Master Exchange Agreement dated January 8, 2004, between Purchaser and SunTrust Delaware Trust Company ("SunTrust") (the "Exchange Agreement"). Seller and Purchaser hereby acknowledge the Purchase Price shall be funded by proceeds currently held by SunTrust as qualified intermediary under the Exchange Agreement. Purchaser and Seller hereby acknowledge and agree that SunTrust's liability under this Agreement shall be limited to the Earnest Money deposited with Escrow Agent. The parties further agree that no duty, obligation, representation or warranty of Purchaser under this Agreement (if any) shall be assigned to SunTrust in connection with consummation of the transactions contemplated herein.

2.6 Rights of Escrow Agent. Upon receipt of the Earnest Money, Escrow Agent shall promptly deposit the same into a government insured interest-bearing escrow account with such bank as Escrow Agent may select subject to Purchaser's and Seller's reasonable approval (the "Depository"). The parties hereby acknowledge and agree that Escrow Agent shall have the right to disburse the Earnest Money to Purchaser or Seller upon ten (10) days' written notice to the parties, but only if Escrow Agent shall not have received any written objections to such disbursement within ten (10) days after receipt by Purchaser and Seller of said notice. The parties hereto hereby acknowledge that the Escrow Agent shall have no liability to any party on account of its failure to disburse the Earnest Money and any interest thereon in the event of an unresolved dispute as to which party is entitled to receive the same. In the event of any dispute as to who is entitled to receive the Earnest Money and any interest thereon, Escrow Agent shall have the right, at its sole election, either to retain the funds and disburse them in accordance with the final order of a court of competent jurisdiction or to deposit the Earnest Money and any interest thereon with said court, pending a final decision of such controversy. The parties hereto further agree that Escrow Agent shall not be liable for failure of the Depository and shall only be liable otherwise in the event of its negligence or willful misconduct. Escrow Agent's fee for serving in such capacity and Escrow Agent's out-of-pocket expenses shall be paid 50% by Seller and 50% by Purchaser. All interest earned on the Earnest Money shall accrue to the benefit of Purchaser, but shall be credited, delivered or otherwise disbursed together with the Earnest Money in accordance with the terms and conditions of this Agreement. Purchaser's taxpayer identification number is 58-1317627.

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ARTICLE 3

INSPECTION

3.1 Inspection of Property. Purchaser, its agents and representatives shall have a period (the "Inspection Period") of N/A from the date hereof in which to conduct due diligence with respect to the Property and to enter upon and make such studies, tests and/or inspections of the Property, including environmental inspections, at Purchaser's sole cost and expense, as Purchaser deems necessary or appropriate. Such due diligence shall include review of all zoning, utility,

engineering, access, title, geotechnical, environmental and cost issues associated with developing the Property, including obtaining any necessary governmental approvals or permits. In the event that Purchaser, in its sole discretion, determines that the Property is, for any reason whatsoever (including, without limitation, economic reasons), unsatisfactory to Purchaser, Purchaser shall have until the end of the last day of the Inspection Period (as it may be extended) to notify Seller in writing that Purchaser has elected to terminate this Agreement. If Purchaser elects to terminate this Agreement pursuant to the preceding sentence, then Escrow Agent shall promptly deliver One Hundred and No/100 Dollars (\$100.00) to Seller from the Earnest Money and Purchaser shall promptly deliver to Seller copies of any and all studies, tests, reports, title examinations, surveys or similar material that Purchaser has had prepared with respect to the Property (which deliveries and payment Seller acknowledges and agrees constitute adequate consideration for the rights granted to Purchaser under this Agreement through the Inspection Period). Escrow Agent shall deliver the balance of the Earnest Money and any interest thereon to Purchaser and, upon Seller's receipt of such deliveries and payment and Purchaser's receipt of the balance of the Earnest Money, this Agreement shall be terminated and neither Purchaser nor Seller shall have any further rights or obligations hereunder, except for the survival of certain provisions as expressly provided for herein. In the event the final day of the Inspection Period falls on a Saturday, Sunday or holiday, the Inspection Period shall be extended until the next business day. Purchaser shall pay all costs incurred in making such studies, tests and/or inspections and shall indemnify Seller against and defend and hold Seller harmless from any liens, claims, losses and liabilities arising out of Purchaser's exercising its right and privilege to go upon the Property; provided this indemnity shall not require Purchaser to indemnify Seller for items merely discovered by Purchaser, such as environmental matters. This indemnity shall survive the termination of this Agreement. Provided that Purchaser has not terminated this Agreement prior to the expiration of the Inspection Period, Purchaser shall continue to have the right prior to Closing to make on-site inspections of the Property during reasonable business hours in accordance with the terms and limitations of this Section 3.1. As provided in Section 2.2 above, if Purchaser does not terminate this Agreement prior to the expiration of the Inspection Period, the Earnest Money thereafter shall be at risk and shall be nonrefundable, except as expressly provided herein.

3.2 As-Is Condition. Seller expressly disclaims any representations or warranties of any kind, whether express or implied, with respect to the Property and its condition or fitness for a particular purpose, other than such representations and warranties as are expressly set forth in this Agreement. Except as otherwise specifically provided herein, the Property is to be conveyed by Seller and accepted by Purchaser in "As-Is, Where-Is, with All Faults" condition at Closing. The provisions of this Section 3.2 shall survive Closing.

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ARTICLE 4  
TITLE; SURVEY

4.1 Title. N/A.

4.2 Objections to Title. N/A.

4.3 Lease. Seller and Purchaser acknowledge that the Purchaser is currently in possession of the Property pursuant to that certain Lease for Pasturage Grazing and Hunting (the "Lease"), dated July 1, 2002 between Seller as lessor and Rollins Ranch, a division of Purchaser, as lessee. Purchaser and Seller hereby agree that the Lease shall terminate and any payments thereunder shall be prorated on a per diem basis at Closing. Any unfulfilled obligations, including without limitation, the indemnity contained in Paragraph VI of the lease shall survive termination indefinitely.

4.4 Survey. Within ten (10) days from the date hereof, Purchaser shall order either an ALTA/ACSM Land Title Survey or a Florida Equivalent Survey (defined below) (the "Survey") of the Property to determine the acreage and boundaries of the Property. The parties acknowledge that the Survey will not be available prior to Closing. The cost of the Survey shall be paid by Purchaser. Purchaser shall use commercially reasonable efforts to have the Survey completed within nine (9) months from the date of Closing. Following receipt of the Survey, Purchaser shall cause a copy of the Survey to be delivered to Seller, and provided the Survey is reasonably acceptable to Seller, the Purchase Price shall be re-calculated on the basis of the actual acreage of the Property as shown by the Survey (the "Survey Purchase Price Adjustment"). If the Survey shows that the total acreage of the Property is less than 8,993.20 acres, then the Purchase Price shall be reduced by an amount equal to the Acre Price times the Acreage Shortfall (as defined below), and Seller shall promptly deliver to Purchaser cash equal to the amount overpaid at Closing; and (ii) if the Survey shows that the total acreage of the Property is greater than 8,993.20, then the Purchase Price shall be increased by an amount equal to the Acre Price times the Acreage Excess (as defined below), and Purchaser shall promptly deliver to Seller cash equal to the amount underpaid at Closing. As used herein, the term "Acreage Shortfall" shall mean a sum equal to 8,993.20 acres less the number of acres established by the Survey, and the term "Acreage Excess" shall mean a sum equal to the number of acres established by the Survey less 8,993.20 acres. As

used herein, the term "Florida Equivalent Survey" shall mean a survey prepared in accordance with the minimum technical standards set forth in the Florida Administrative Code. Following delivery of such Survey, Seller agrees promptly to execute and deliver to Purchaser a Quitclaim Deed conveying all of Seller's rights, interests and title in and to the Property shown on the Survey. This provision shall survive the Closing.

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ARTICLE 5  
CLOSING

5.1 Seller's Deliveries and Conditions to Purchaser's Obligations. Seller shall execute and deliver at Closing the following documents, dated the date of Closing, the form of each of which shall be reasonably acceptable to Seller and Purchaser (provided any form attached hereto shall be acceptable to Seller and Purchaser, except that Quitclaim Deeds must also be acceptable to the Title Company), and the execution and accuracy of which shall be a condition to Purchaser's obligation to consummate the purchase and sale herein contemplated:

(a) Quitclaim Deed. A Quitclaim Deed, in the form attached hereto as Exhibit B, duly executed by Seller conveying title to the Property, with the record legal description, together with all real property transfer tax returns required by the State of Florida;

(b) Bill of Sale and Intangible Property Assignment. A Bill of Sale (the "Bill of Sale"), in the form attached hereto as Exhibit C, duly executed by Seller conveying title to the Personal Property, without warranty as to the title or condition of such Personal Property;

(c) Certificate of Non-Foreign Status. A certificate, in the form attached hereto as Exhibit D, duly executed by Seller setting forth Seller's address and Social Security or tax identification number and certifying that Seller is not a foreign person for purposes of the Foreign Investment in Real Property Tax Act ( a/k/a "FIRPTA");

(d) Quitclaim Deed. If the legal description of the Property prepared from the Survey differs from the legal description of the Property attached to the Quitclaim Deed delivered at Closing, then Seller shall also execute and deliver to Purchaser at Closing, or thereafter as provided in Section 4.4 hereof a second Quitclaim Deed, in the form attached hereto as Exhibit E, duly executed by Seller and conveying the Property to Purchaser using the Survey legal description (the "Additional Quitclaim Deed").

(e) Owner's Affidavit. Two (2) counterparts of the Owner's Affidavit, in the form attached hereto as Exhibit F, duly executed by Seller and notarized, as approved by the Title Company for the issuance of the Title Policy without exception for parties in possession (other than Purchaser or anyone acting by, through or under Purchaser), mechanics', materialmen's or other statutory liens.

(f) Owner's Affidavit as to Mineral Leases. Two (2) counterparts of the Owner's Affidavit as to Mineral Leases, in the form attached hereto as Exhibit G, duly executed by Seller and notarized, as approved by the Title Company.

(g) Evidence of Authority. Such documentation as may be reasonably required by Purchaser and the Title Company to establish that this Agreement, the transactions contemplated herein and the execution and delivery of the documents required hereunder are duly authorized, executed and delivered.

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(h) Seller's Certificate. Two (2) counterparts of a certificate executed and sealed by Seller, evidencing the reaffirmation of the truth and accuracy in all material respects of Seller's representations, warranties and agreements set forth in Article VII hereof.

(i) Settlement Statement. Four (4) counterparts of a settlement statement executed by Seller, setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement at Closing (the "Settlement Statement").

(j) Keys and Records. All of the keys to any door or lock on the Property and such original non-confidential books and records in Seller's possession as may be reasonably necessary for the continued operation of the Property.

(k) Additional Documents. Such other documents, as are customary or may be reasonably necessary to consummate the sale of the Property or to induce the Title Company to issue the Title Policy.

5.2 Purchaser's Delivery and Conditions to Seller's Obligation. At Closing, Purchaser shall deliver to Seller the following documents, dated the date of Closing, the form of which shall be reasonably acceptable to Seller and Purchaser (provided any form attached hereto shall be acceptable to Seller and



Purchaser), and the executed and accuracy of which shall be a condition to Seller's obligation to consummate the purchase and sale herein contemplated.

(a) Purchase Price Funds. Immediately available funds in the full amount of the Purchase Price, as adjusted pursuant to the terms of this Agreement;

(b) Bill of Sale. Two (2) counterparts of the Bill of Sale, duly executed by Purchaser;

(c) Settlement Statement. Four (4) counterparts of the Settlement Statement.

(d) Additional Documents. Such other documents as are customary or may be reasonably necessary to consummate the sale of the Property or to induce the Title Company to issue the Title Policy.

5.3 Costs of the Parties. Seller shall pay (i) the State of Florida taxes imposed upon the transactions contemplated in this Agreement and the conveyance of the Property; (ii) the cost of all premiums payable with respect to the Title Policy, including the cost of any endorsements to the Title Policy; (iii) one-half of any closing fees or escrow fees charged by the Escrow Agent; (iv) the cost of recording any title clearance documents required in accordance with this Agreement; and (v) any additional costs and charges customarily charged to sellers in accordance with common escrow practices in the county in which the Property is located, other than those costs and charges specifically required to be paid by Purchaser hereunder. Purchaser shall pay (i) the cost of the Survey; (ii) the cost of recording the Quitclaim Deed delivered at Closing and the Additional Quitclaim Deed; (iii) one-half of any closing fees or escrow fees charged by the Escrow Agent; (iv) any additional costs and charges customarily charged to purchasers in accordance with common escrow practices in the county in which the Property is

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located, other than those costs and charges specifically required to be paid by Seller hereunder. All costs and expenses of the parties' performance of their respective obligations hereunder and the consummation of the transactions contemplated herein that have not been assumed specifically by either party under the terms hereof shall be borne by the party incurring such cost or expense.

5.4 No Brokers. Seller represents and warrants that Seller has not dealt with any broker or other finder in connection with the sale to Purchaser of the Property. Seller will indemnify and hold harmless Purchaser from and against any and all claims, loss, liability, cost and expenses (including reasonable attorneys fees) resulting from any claim that may be made against Purchaser by any broker or person claiming a commission, fee or other compensation from Purchaser by reason of this transaction, if such claim arises by or on account of any act of Seller or Seller's representatives. This indemnity shall survive the Closing and any termination, cancellation or expiration of this Agreement.

Purchaser represents and warrants that Purchaser has not dealt with any broker or other finder in connection with the sale to Purchaser of the Property. Purchaser will indemnify and hold harmless Seller from and against any and all claims, loss, liability, cost and expenses (including reasonable attorneys fees) resulting from any claims that may be made against Seller by any broker or person claiming a commission, fee or other compensation from Seller by reason of this transaction if such claim arises by or on account of any act of Purchaser or Purchaser's representatives. This indemnity shall survive the Closing and any termination, cancellation or expiration of this Agreement.

#### ARTICLE 6 PRORATED ITEMS

6.1 Prorations. Property taxes, community improvement district assessments and other similar charges assessed against the Property shall be prorated between Seller and Purchaser at Closing. Such proration shall be adjusted after Closing based on actual tax bills received. This provision shall survive Closing.

#### ARTICLE 7 REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER

In order to induce Purchaser to enter into this Agreement, Seller makes the representations, warranties and covenants contained in this Article Seven, each of which is

material to and is relied upon by Purchaser. Seller represents, warrants and covenants as follows:

7.1 Organization; Authority to Sell. Seller is a duly organized and validly existing corporation and is in good standing under the laws of the State of New York. Seller is authorized to do business and in good standing under the laws of the State of Florida. Seller has the right, power and authority to (a) enter into this Agreement; (b) sell the Property to Purchaser in accordance with the terms and conditions hereof; and (c) perform and observe the terms and provisions hereof.

7.2 No Condemnation Proceedings. To Seller's knowledge, there are no condemnation or eminent domain proceedings pending, threatened or contemplated against the Property or any part of the Property, and Seller has received no notice, oral or written, of the desire of any public authority or other entity to take or use the Property or any part of the Property.

7.3 Compliance with Laws. To Seller's knowledge, Seller has not received notice of any violations of law, municipal or county ordinances or other legal requirements with respect to the Property (or any part thereof) or with respect to the use, occupancy or construction thereof.

7.4 Property Agreements. Except for the Lease and any agreements entered into by Purchaser on its behalf or on behalf of Seller, the Property is not subject to any leases, operating agreements, maintenance agreements, service agreements, management agreements, brokerage agreements, lease commission agreements or other agreements or instruments in force or effect entered into by Seller granting to any person or entity any right, title, interest or benefit in and to all or any part of the Property or any rights relating to the use, operation, management, maintenance or repair of all or any part of the Property.

7.5 Pending Litigation. To Seller's knowledge, there is no litigation or any administrative proceeding pending with respect to the Property, or which could affect Seller's ability to properly and timely perform under this Agreement or for which Seller has received service of process or written notice of the threat thereof.

7.6 Non-Foreign Person. Seller is not a "foreign person" for purposes of the withholding rules of FIRPTA.

7.7 Mechanic's Liens. At or prior to Closing, Seller shall pay for all labor that has been performed on, or materials furnished to, the Property at Seller's direction for which a mechanic's or materialmen's lien or liens could be claimed by any person or entity.

7.8 No Options or Contracts. Seller has granted no outstanding purchase options or rights of first refusal with respect to all or any part of the Property, and has entered into no outstanding contracts with others for the sale, mortgage or other transfer of all or any part of the Property.

7.9 Action of Seller, Etc. Seller has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and upon the execution and delivery of any document to be delivered by Seller on or prior to the Closing, this Agreement and such

document shall constitute the valid and binding obligation and agreement of Seller, enforceable against Seller in accordance with its terms.

7.10 No Violations of Agreements. To Seller's knowledge, neither the execution, delivery or performance of this Agreement by Seller, nor compliance with the terms and provisions hereof, shall result in any breach of the terms, conditions or provisions of, or conflict with or constitute a default under, or result in the creation of any lien, charge or encumbrance upon the Property pursuant to the terms of any indenture, mortgage, deed of trust, deed to secure debt, note, evidence of indebtedness or any other agreement or instrument by which Seller or the Property are bound.

7.11 Environmental Matters. To Seller's knowledge, Seller has received no written notification from any governmental or quasi-governmental authority that that there are any violations of any federal or state environmental laws with respect to the Property, nor to Seller's knowledge, has Seller received any written notice from any governmental or quasi-governmental authority that such authority is contemplating an investigation of the Property with respect to a violation or suspected violation of any such environmental law.

7.12 No New Encumbrances. During the term of this Agreement, Seller shall not convey or encumber any portion of the Property or any rights therein without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed.

7.13 Warranties and Representations. The truth and accuracy in all material respects, as of the date of Closing, of all representations and warranties made

by Seller herein shall be an express condition to Purchaser's obligation to consummate the transactions contemplated herein.

7.14 No Breach. Seller shall not be deemed to be in breach of any warranty contained in this Agreement or any other document executed by Seller at Closing which shall be determined to be inaccurate in any respect, if, at Closing, Purchaser has actual knowledge of such inaccuracy. The reference to phrase, the "knowledge" of Purchaser, shall be deemed to include, without limitation, the actual knowledge of Thorne S. Winter or Donald P. Carson, respectively of RFA Management Co.

#### ARTICLE 8 CONDEMNATION

If the Property or any portion thereof be taken by condemnation or conveyed under the threat of condemnation prior to Closing, or if there is any threatened condemnation against the Property as of the date of Closing, Purchaser may, at its sole election, either: (i) terminate this Agreement by notifying Seller in writing on or before the last date for Closing as provided for above, in which case the Earnest Money and any interest thereon shall be delivered to Purchaser, and all rights and obligations of the parties under this Agreement shall expire, except for the survival of certain provisions as expressly provided for herein, and this Agreement shall terminate and be of no further force and effect; or (ii) proceed to Closing, in which event the Purchase Price shall be reduced by the total of any awards or other proceeds received by Seller on or before the date of Closing with respect to any taking, and, at Closing, Seller shall assign to

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Purchaser all of its right to any and all awards or other proceeds paid or payable thereafter by reason of any taking. Seller shall notify Purchaser of the existence or threat of eminent domain proceedings promptly after Seller learns thereof.

#### ARTICLE 9 DEFAULT; REMEDIES

9.1 Purchaser Default. If all conditions precedent to Purchaser's obligation to consummate the purchase of the Property have been waived by Purchaser or satisfied, and if Seller has performed its covenants and agreements hereunder, but Purchaser has breached its covenants and agreements hereunder and for any reason whatsoever has failed, refused or is unable to consummate the purchase and sale of the Property by the date of Closing, then the Escrow Agent shall deliver the Earnest Money and any interest thereon to Seller as full and complete liquidated damages, it being acknowledged by Purchaser and Seller that in such event it would be extremely impracticable and difficult to ascertain the actual damages that would be suffered by Seller. Upon proper delivery of the Earnest Money and any interest thereon to Seller as liquidated damages, as above provided, no party to this Agreement shall have any liability to any other party to this Agreement, and this Agreement shall, in its entirety, be deemed of no further force and effect, except for the survival of certain provisions as expressly provided for herein. Such liquidated damages shall be Seller's sole remedy for Purchaser's failure to close when obligated to do so.

9.2 Seller Default. If Seller has breached its covenants and agreements under this Agreement for any reason whatsoever, including without limitation the failure, refusal or inability of Seller to consummate the purchase and sale contemplated herein by the date of Closing, then Purchaser shall, at Purchaser's sole election, as Purchaser's sole and exclusive remedies:

(a) terminate this Agreement by written notice delivered to Seller on or before the date of Closing, in which case Escrow Agent shall refund to Purchaser the Earnest Money and any interest thereon and recover from Seller any actual damages (but not punitive or speculative damages incurred by Purchaser as a result of such default, including, without limitation, a reimbursement of all of Purchaser's out-of-pocket expenses incurred to the date of such termination (including, without limitation, Purchaser's attorneys' fees and expenses, surveyors' fees and expenses, and engineering fees and expenses); or

(b) obtain specific performance of this Agreement against Seller.

#### ARTICLE 10 MISCELLANEOUS PROVISIONS

10.1 Entire Agreement; Counterparts. This Agreement constitutes the entire agreement between the parties hereto with respect to the transactions contemplated herein, and it supersedes all prior understandings or agreements between the parties. This Agreement may be executed in one or more duplicate original counterparts, each of which shall be effective as and shall

constitute an original document binding upon the party or parties signing the same. It shall not be necessary for each party to execute all counterparts, provided that each party has executed at least one counterpart.

10.2 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, devisees, personal representatives, permitted successors and permitted assigns.

10.3 Survival of Warranties. It is the express intention and agreement of the parties to this Agreement that all covenants, agreements, statements, representations and warranties made by Seller or Purchaser in this Agreement and stated to survive Closing shall survive this Agreement, the delivery of the deeds and the Closing for a period of nine (9) months following the Closing, other than, the provisions of Section 3.2, the indemnity contained in Section 3.1 and the indemnity and obligations referred to in the last sentence of Section 4.3 and Section 5.4, all of which shall survive Closing in accordance with their respective terms.

10.4 Waiver; Modification. Failure by Purchaser or Seller to insist upon or enforce any of its rights shall not constitute a waiver thereof. Either party hereto may waive the benefit of any provision or condition for its benefit contained in this Agreement. No oral modification hereof shall be binding upon the parties, and any modification shall be in writing and signed by the parties.

10.5 Time of Essence. TIME IS OF THE ESSENCE OF THIS AGREEMENT.

10.6 Construction. Each party hereto hereby acknowledges that all parties hereto participated equally in the drafting of this Agreement and that, accordingly, no court construing this Agreement shall construe it more stringently against one party than the other.

10.7 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Florida.

10.8 Cumulative Remedies. Subject to the limitations set forth in Article Nine above, each and every one of the rights, benefits and remedies provided to Purchaser or Seller by this Agreement, or by any instrument or documents executed pursuant to this Agreement, are cumulative and shall not be exclusive of any other of said rights, remedies and benefits allowed by law or equity to Purchaser or Seller, except to the extent provided in Article Nine of this Agreement.

10.9 Date Hereof. For purposes of this Agreement, "the date hereof" or similar references shall mean the date first above written.

10.10 Assignment. In addition to the assignment permitted in Section 2.5 herein, Purchaser may assign its interest in this Agreement, either in whole or in part, without the prior written consent of Seller, to any entity which controls, is controlled by or is under common control with Purchaser, provided that such assignment shall not release Purchaser from liability hereunder.

10.11 Intentionally Deleted.

12

10.12 Radon. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit. Seller represents that it has no knowledge concerning the existence of radon gas on the property being sold to Purchaser. Purchaser agrees that Seller has no duty to investigate whether radon gas is now or ever was present on the property being sold to Purchaser. Purchaser releases and discharges Seller from any claims, demands, fees, expenses and liability if it is found that radon gas is present on the property. Purchaser agrees to indemnify, defend and hold Seller harmless from any claims, demands, attorney's fees, expenses and liability if it is found at any time that radon gas is present on the property.

10.13 Risk of Loss. Risk of loss from fire or other casualty to the buildings on the Property shall be Purchaser's until close of escrow and transfer of title. In the event of any damage or destruction to the Property, or any portion thereof, Seller and Purchaser shall proceed to close under this Agreement.

#### ARTICLE 11 NOTICES

11.1 Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be personally delivered, sent by facsimile transmission (provided a copy is thereafter promptly sent by overnight delivery as hereinafter provided), sent by Federal Express or other nationally recognized overnight or same day courier service providing a return receipt, or mailed by first-class registered or certified mail, return receipt requested, postage prepaid (and shall be effective when received) to the following

addresses:

If to Seller: Rollins Continental, Inc.  
2170 Piedmont Road  
Atlanta, GA 30324  
Attention: Ron Buchanan  
Telecopier: 404-888-2291

and a copy to: 13 Arnall Golden Gregory LLP  
2800 One Atlantic Center  
1201 West Peachtree Street  
Atlanta, Georgia 30309-3450  
Attention: Paula Abercrombie Ball  
Telecopier: 404-873-8717

If to Purchaser: LOR, Inc.  
c/o RFA Management, LLC  
2801 Buford Highway  
Suite 470  
Atlanta, GA 30329  
Attention: Thorne S. Winter IV  
Telecopier: 404-486-4621

and a copy to: Jones Day  
1420 Peachtree Street, NE  
Suite 800  
Atlanta, Georgia 30309  
Attention: Scott A. Specht  
Telecopier: 404-581-8330

ARTICLE 12  
EXECUTION

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the day and year first above written.

SELLER:

ROLLINS CONTINENTAL, INC.

By: /s/ Harry J. Cynkus

-----  
Harry J. Cynkus  
Secretary-Treasurer

[CORPORATE SEAL]

15

PURCHASER:

LOR, INC.

By: /s/ Donald P. Carson

-----  
Donald P. Carson  
Secretary-Treasurer

[CORPORATE SEAL]

16  
EXHIBIT "A"

ALL OF THE FOLLOWING PARCELS OF LAND lying and being in the County of Okeechobee, State of Florida, all being in Township 34 South, Range 35 East, and being more particularly described as follows:

Parcel 1:

S 1/2 of Section 15;  
E 1/2 of Section 16;  
All of Section 17;  
All of Section 18;  
All of Section 19;  
All of Section 20;  
All of Section 21;  
The N 1/2 of the N 1/2 and the S 1/2 of the SW 1/4 of Section 22;

All of Section 27;  
All of Section 28;  
All of Section 29;  
All of Section 33; and  
All of Section 34.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 1 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins by deed dated August 18, 1960, and recorded in Book 45, Page 19 of Okeechobee County, Florida records, less and except Section 30, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

Parcel 2:

All that parcel of the following described property lying west of U.S. Highway No. 441, to-wit:

The S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; W 1/2 of the SE 1/4; and S 1/2 of the SE 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

The W 1/2 of the NE 1/4 of Section 15; also, E 1/2 of the NE 1/4 of Section 15 (less a tract in the NE corner measuring 466.69 feet square and containing five acres) being KING'S SUBDIVISION of said land, according to plat thereof recorded in Plat Book 2, page 54, public records of Okeechobee County, Florida, LESS and EXCEPT, all of Block 1, Lots 1, 2, 3, 22, 23, 24 of Block 2; Lots 1, 2, 3, 22, 23 and 24 of Block 7, and Lots 10 to 17 inclusive of Block 8, in said Subdivision; all in Section 15, Township 34 South, Range 35 East.

NE 1/4 of the NW 1/4; S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; SE 1/4 of the SW 1/4; all in Section 14, Township 34 South, Range 35 East; and the NW 1/4 of Section 23, Township 34 South, Range 35 East.

S 1/2 of Section 23; S 1/2 of the NW 1/4 and S 1/2 of Section 26; and Section 35; all in Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 2 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins, dated September 8, 1960, and recorded in Book 45, Page 21 of Okeechobee County, Florida records.

2

Parcel 3:

S 50 feet of Section 31; and  
All of Section 32.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 3 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Mary Sisler, dated January 18, 1967, and recorded in Book 102, Page 13 of Okeechobee County, Florida records, less and except a portion of Section 31, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

3

Parcel 4:

The W 1/2 of Section 16, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 4 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Ernst Junker and Hilde Junker, dated March 10, 1969, and recorded in Book 112, Page 359 of Okeechobee County, Florida records.

4

Parcel 5:

The S 1/2 of NE 1/4 of Section 22, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 5 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Marjorie C. Leggett and Gordon V. Leggett dated May 26, 1972, and recorded in Book 137, Page 627 of Okeechobee County, Florida records.

5

Parcel 6:

The N 1/2 of NE 1/4 of SE 1/4 of Section 22, Township 34 South, Range 35 East; and N 1/2 of the S 1/2 of N/E 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 6 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by W.D. Coker and Zora R. Coker dated May 26, 1972, and recorded in Book 138, Page 193 of Okeechobee County, Florida records.

6

EXHIBIT B

Intentionally Deleted

EXHIBIT C

DOC TAX \$  
RECORD \$

Prepared by and return to:

- -----  
- -----  
- -----  
- -----

QUITCLAIM DEED

This Indenture, made \_\_\_\_\_, 2004 by and between ROLLINS CONTINENTAL, INC., a New York Corporation, hereinafter referred to as Grantor, whose address is 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and OKEECHOBEE RANCH LLC, a Georgia limited liability company, whose address is c/o RFA Management Company, LLC, 2801 Buford Highway, Suite 470, Atlanta, Georgia 30329, hereinafter referred to as Grantee.

Witnesseth: Grantor, in consideration of the sum of ten dollars and other valuable considerations to it in hand paid by Grantee, receipt of which is hereby acknowledged, does hereby release, remise and quitclaim to Grantee any and all of the right, title and interest of Grantor in and to the following described property situate in Okeechobee County, Florida:

See Attached Exhibit A.

As used herein, the terms "Grantor" and "Grantee" shall include their respective heirs, devisees, personal representatives, successors and assigns; any gender shall include all genders, the plural number the singular and the singular, the plural.

In Witness Whereof, Grantor has caused this deed to be executed in its name by its undersigned duly authorized officer the date above written.

WITNESSES: ROLLINS CONTINENTAL, INC.,  
a New York Corporation

By:/s/ Harry J. Cynkus

- -----  
Signature of Witness Harry J. Cynkus, Secretary-Treasurer

(Corporate Seal)

Print Name of Witness

-----  
Signature of Witness

-----  
Print Name of Witness

2

STATE OF GEORGIA  
COUNTY OF FULTON

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_  
2004 by \_\_\_\_\_, as \_\_\_\_\_ of ROLLINS CONTINENTAL, INC.,  
a New York Corporation. The above-named person is personally known to me or has  
produced \_\_\_\_\_ as identification. If no type of  
identification is indicated, the above-named person is personally known to me.

(Notary Seal)

-----  
Signature of Notary Public

-----  
Print Name of Notary Public

I am a Notary Public of the State of  
Georgia, and my commission expires  
on \_\_\_\_\_.

3

STATE OF GEORGIA  
COUNTY OF FULTON

The foregoing instrument was acknowledged before me this \_\_\_\_ day of March 2004  
by \_\_\_\_\_, as \_\_\_\_\_ of ROLLINS CONTINENTAL, INC., a  
New York Corporation, on behalf of the corporation. The above-named person is  
personally known to me or has produced \_\_\_\_\_ as  
identification. If no type of identification is indicated, the above-named  
person is personally known to me.

(Notary Seal)

-----  
Signature of Notary Public

-----  
Print Name of Notary Public

I am a Notary Public of the State of  
Georgia, and my commission expires  
on \_\_\_\_\_.

4

EXHIBIT A

Legal for Quitclaim Deed

ALL OF THE FOLLOWING PARCELS OF LAND lying and being in the County of  
Okeechobee, State of Florida, all being in Township 34 South, Range 35 East, and  
being more particularly described as follows:

Parcel 1:

- S 1/2 of Section 15;
- E 1/2 of Section 16;
- All of Section 17;
- All of Section 18;
- All of Section 19;
- All of Section 20;
- All of Section 21;
- The N 1/2 of the N 1/2 and the S 1/2 of the SW 1/4 of Section 22;
- All of Section 27;
- All of Section 28;
- All of Section 29;
- All of Section 33; and
- All of Section 34.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the  
foregoing Parcel 1 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental  
Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins by deed dated August  
18, 1960, and recorded in Book 45, Page 19 of Okeechobee County, Florida  
records, less and except Section 30, which was conveyed to Thomas L. Hammons and



Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

5

Parcel 2:

All that parcel of the following described property lying west of U.S. Highway No. 441, to-wit:

The S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; W 1/2 of the SE 1/4; and S 1/2 of the SE 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

The W 1/2 of the NE 1/4 of Section 15; also, E 1/2 of the NE 1/4 of Section 15 (less a tract in the NE corner measuring 466.69 feet square and containing five acres) being KING'S SUBDIVISION of said land, according to plat thereof recorded in Plat Book 2, page 54, public records of Okeechobee County, Florida, LESS and EXCEPT, all of Block 1, Lots 1, 2, 3, 22, 23, 24 of Block 2; Lots 1, 2, 3, 22, 23 and 24 of Block 7, and Lots 10 to 17 inclusive of Block 8, in said Subdivision; all in Section 15, Township 34 South, Range 35 East.

NE 1/4 of the NW 1/4; S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; SE 1/4 of the SW 1/4; all in Section 14, Township 34 South, Range 35 East; and the NW 1/4 of Section 23, Township 34 South, Range 35 East.

S 1/2 of Section 23; S 1/2 of the NW 1/4 and S 1/2 of Section 26; and Section 35; all in Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 2 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins, dated September 8, 1960, and recorded in Book 45, Page 21 of Okeechobee County, Florida records.

6

Parcel 3:

S 50 feet of Section 31; and  
All of Section 32.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 3 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Mary Sisler, dated January 18, 1967, and recorded in Book 102, Page 13 of Okeechobee County, Florida records, less and except a portion of Section 31, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

7

Parcel 4:

The W 1/2 of Section 16, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 4 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Ernst Junker and Hilde Junker, dated March 10, 1969, and recorded in Book 112, Page 359 of Okeechobee County, Florida records.

8

Parcel 5:

The S 1/2 of NE 1/4 of Section 22, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 5 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Marjorie C. Leggett and Gordon V. Leggett dated May 26, 1972, and recorded in Book 137, Page 627 of Okeechobee County, Florida records.

9

Parcel 6:

The N 1/2 of NE 1/4 of SE 1/4 of Section 22, Township 34 South, Range 35 East; and N 1/2 of the S 1/2 of N/E 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

TOGETHER WITH all gas, oil, mineral and other sub-surface rights of the foregoing Parcel 6 owned by Grantor.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by W.D. Coker and Zora R. Coker dated May 26, 1972, and recorded in Book 138, Page 193 of Okeechobee County, Florida records.

10  
EXHIBIT D

Bill of Sale

BILL OF SALE AND INTANGIBLE PROPERTY ASSIGNMENT

THIS BILL OF SALE AND INTANGIBLE PROPERTY ASSIGNMENT (hereinafter referred to as this "Agreement"), made and delivered this day of April, 2004, by ROLLINS CONTINENTAL, INC., a New York corporation (hereinafter referred to as "Seller"), to OKEECHOBEE RANCH LLC, a Georgia limited liability company (hereinafter, together with its successors and assigns, referred to as "Purchaser");

W I T N E S S E T H:

WHEREAS, Seller is the owner of fee simple title to certain real property (hereinafter referred to as the "Premises") located in Okeechobee County, Florida, as more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof;

WHEREAS, Seller has on even date conveyed to Purchaser title to the Premises, and in connection therewith Seller wishes hereby to transfer and assign to Purchaser all of Seller's right, title and interest in and to all tangible personal property and fixtures and all intangible property related to the Premises.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, in hand paid by Purchaser to Seller, the receipt and sufficiency of which are hereby acknowledged, Seller and Purchaser hereby covenant and agree as follows:

1. Bill of Sale. Seller has granted, bargained, sold, conveyed, transferred, and delivered, and by these presents does grant, bargain, sell, convey, transfer and deliver, to all tangible personal property and fixtures of any kind owned by Seller and attached to or used in connection with the ownership, maintenance, use, leasing, service, or operation of the Premises (hereinafter referred to as the "Personalty").

2. Assignment of Intangible Property. seller has transferred, assigned and set over, and by these presents does transfer, assign, and set over in and to purchaser all of seller's right, title and interest, in and under any and all intangible property of any kind owned by seller and related to the premises or the personalty, including without limitation, seller's rights and interests, if any, in and to the following (to the extent assignable): (a) all plans and specifications and other architectural and engineering drawings; (b) all warranties and guaranties; (c) all consents, authorizations, variances or waivers, licenses, applications, permits and approvals from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality.

3. "As Is" Sale. Purchaser acknowledges that the Personalty is being sold to Purchaser "As Is" with no representation or warranty as to the condition, performance, capabilities, or fitness for any particular purpose of such Personalty or any warranty whatsoever, express or implied.

4. Successors and Assigns. This Agreement shall be binding upon and insure to the benefit of Purchaser and Seller and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, Seller and Purchaser have executed this Agreement under seal as of the date and year first above stated.

SELLER:

ROLLINS CONTINENTAL, INC.

By: /s/ Harry J. Cynkus

-----  
Harry J. Cynkus  
Secretary-Treasurer

[CORPORATE SEAL]

3

PURCHASER:

OKEECHOBEE RANCH LLC

By: LOR, Inc., its sole Member and  
Manager

By: /s/ Donald P. Carson

-----  
Donald P. Carson  
Secretary-Treasurer

4

EXHIBIT "A"

Record legal description

Okeechobee, Florida

ALL OF THE FOLLOWING PARCELS OF LAND lying and being in the County of Okeechobee, State of Florida, all being in Township 34 South, Range 35 East, and being more particularly described as follows:

Parcel 1:

S 1/2 of Section 15;  
E 1/2 of Section 16;  
All of Section 17;  
All of Section 18;  
All of Section 19;  
All of Section 20;  
All of Section 21;  
The N 1/2 of the N 1/2 and the S 1/2 of the SW 1/4 of Section 22;  
All of Section 27;  
All of Section 28;  
All of Section 29;  
All of Section 33; and  
All of Section 34.

TOGETHER WITH an undivided 1/4 interest in all oil and mineral rights in and to the above-described property.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins by deed dated August 18, 1960, and recorded in Book 45, Page 19 of Okeechobee County, Florida records, less and except Section 30, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

6

Parcel 2:

All that parcel of the following described property lying west of U.S. Highway No. 441, to-wit:

The S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; W 1/2 of the SE 1/4; and S 1/2 of the SE 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

The W 1/2 of the NE 1/4 of Section 15; also, E 1/2 of the NE 1/4 of Section 15 (less a tract in the NE corner measuring 466.69 feet square and containing five

acres) being KING'S SUBDIVISION of said land, according to plat thereof recorded in Plat Book 2, page 54, public records of Okeechobee County, Florida, LESS and EXCEPT, all of Block 1, Lots 1, 2, 3, 22, 23, 24 of Block 2; Lots 1, 2, 3, 22, 23 and 24 of Block 7, and Lots 10 to 17 inclusive of Block 8, in said Subdivision; all in Section 15, Township 34 South, Range 35 East.

NE 1/4 of the NW 1/4; S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; SE 1/4 of the SW 1/4; all in Section 14, Township 34 South, Range 35 East; and the NW 1/4 of Section 23, Township 34 South, Range 35 East.

S 1/2 of Section 23; S 1/2 of the NW 1/4 and S 1/2 of Section 26; and Section 35; all in Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins, dated September 8, 1960, and recorded in Book 45, Page 21 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

Parcel 3:

S 50 feet of Section 31; and  
All of Section 32.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Mary Sisler, dated January 18, 1967, and recorded in Book 102, Page 13 of Okeechobee County, Florida records, less and except a portion of Section 31, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

7

Parcel 4:

The W 1/2 of Section 16, Township 34 South, Range 35 East, less rights of way for public roads and highways, including all improvements and buildings thereon.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Ernst Junker and Hilde Junker, dated March 10, 1969, and recorded in Book 112, Page 359 of Okeechobee County, Florida records.

Parcel 5:

The S 1/2 of NE 1/4 of Section 22, Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Marjorie C. Leggett and Gordon V. Leggett dated May 26, 1972, and recorded in Book 137, Page 627 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

8

Parcel 6:

The N 1/2 of NE 1/4 of SE 1/4 of Section 22, Township 34 South, Range 35 East; and N 1/2 of the S 1/2 of N/E 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by W.D. Coker and Zora R. Coker dated May 26, 1972, and recorded in Book 138, Page 193 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

Certificate of Non-Foreign Status

TRANSFEROR'S CERTIFICATION OF NONFOREIGN STATUS

Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform OKEECHOBEE RANCH LLC, a Georgia limited liability company (the "Transferee"), that withholding of tax under Section 1445 of the Code will not be required upon the transfer of a U.S. real property interest to the Transferee by ROLLINS CONTINENTAL, INC., a New York corporation (the Transferor"), the undersigned hereby certifies the following on behalf of the Transferor:

1. \_\_\_\_\_The Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. \_\_\_\_\_The Transferor's U.S. employer identification number is \_\_\_\_\_; and

3. \_\_\_\_\_The Transferor's office address is 2170 Piedmont Road, Atlanta, Georgia 30324.

The Transferor understands that this Certificate may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury I declare that I have examined this Certification and, to the best of my knowledge and belief, it is true, correct and complete, and I further declare that I gave authority to sign this document on behalf of the Transferor.

Dated: \_\_\_\_\_, 2004

ROLLINS CONTINENTAL, INC., a New York corporation  
By: /s/ Harry J. Cynkus  
-----  
Harry J. Cynkus  
Secretary-Treasurer

EXHIBIT F

DOC TAX \$  
RECORD \$

Prepared by and return to:

- -----  
- -----  
- -----  
- -----

QUITCLAIM DEED

This Indenture, made \_\_\_\_\_, 2004 by and between ROLLINS CONTINENTAL, INC., a New York Corporation, hereinafter referred to as Grantor, whose address is 2170 Piedmont Road, N.E., Atlanta, Georgia 30324, and OKEECHOBEE RANCH LLC, a Georgia limited liability company, whose address is c/o RFA Management Company, LLC, 2801 Buford Highway, Suite 470, Atlanta, Georgia 30329, hereinafter referred to as Grantee.

Witnesseth: Grantor, in consideration of the sum of ten dollars and other valuable considerations to it in hand paid by Grantee, receipt of which is hereby acknowledged, does hereby release, remise and quitclaim to Grantee any and all of the right, title and interest of Grantor in and to the following described property situate in Okeechobee County, Florida:

See Attached Exhibit A.

As used herein, the terms "Grantor" and "Grantee" shall include their respective heirs, devisees, personal representatives, successors and assigns; any gender

shall include all genders, the plural number the singular and the singular, the plural.

In Witness Whereof, Grantor has caused this deed to be executed in its name by its undersigned duly authorized officer the date above written.

WITNESSES: ROLLINS CONTINENTAL, INC.,  
a New York Corporation

By: /s/ Harry J. Cynkus

-----  
Signature of Witness Harry J. Cynkus, Secretary-Treasurer

----- (Corporate Seal)  
Print Name of Witness

-----  
Signature of Witness

-----  
Print Name of Witness

STATE OF GEORGIA  
COUNTY OF FULTON

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_ 2004 by \_\_\_\_\_, as \_\_\_\_\_ of ROLLINS CONTINENTAL, INC., a New York Corporation. The above-named person is personally known to me or has produced \_\_\_\_\_ as identification. If no type of identification is indicated, the above-named person is personally known to me.

(Notary Seal) -----  
Signature of Notary Public

-----  
Print Name of Notary Public

I am a Notary Public of the State of Georgia, and my commission expires on \_\_\_\_\_.

EXHIBIT A

Legal for Quitclaim Deed

EXHIBIT G

STATE OF GEORGIA

COUNTY OF FULTON

OWNER'S AFFIDAVIT

Before the undersigned attesting officer, duly authorized by law to administer oaths in the above-referenced state, appeared Affiant, Harry J. Cynkus, who, being duly sworn according to law, deposed and stated on oath as follows:

That Affiant is the Secretary-Treasurer of Rollins Continental, Inc., a New York corporation, (hereinafter referred to as "Seller"), and is duly authorized to make this Affidavit.

That Seller has not conveyed any interest in the real property described in Exhibit "A" attached hereto and incorporated herein by reference, except as may

be disclosed by public record.

That to Affiant's knowledge there are no unrecorded judgments, bankruptcies or executions against Seller or to Affiant's knowledge against said property which would affect title thereof.

That no improvements or repairs have been made on said property at the instance of Seller during the 100 days immediately preceding the date hereof for which full payment has not been made and that there are no outstanding bills incurred by Seller for labor or materials used in making improvements or repairs on said property or for services of architects, surveyors, or engineers incurred in connection therewith which have not been paid; and that to Affiant's knowledge there are no unpaid bills or liens against said property for sewerage, water, sidewalk, street, or other improvements except as may be set forth on Exhibit "B".

That Affiant knows of no pending petition for, nor is he aware of having received notice of condemnation, paving, or street, water, or sewer improvements affecting said property, and that to the knowledge of Affiant, no written notice of condemnation, any such improvements, or any other assessment has been received by Seller.

That to Affiant's knowledge no brokers services have been engaged with regard to the management, sale, lease, option or other conveyance of any interest in said property or any loan secured thereby, except as disclosed in the Leases identified on Exhibit "C" attached hereto.

That there are no parties in possession of all or any portion of said property, except for the Lease described on Exhibit "C" and anyone acting by, through or under Purchaser.

That to Affiant's knowledge, Seller has not and will not execute any instrument that would affect title to the property, including, but not limited to, the mortgaging or conveying of the property or any interest therein or cause the creation of liens against the property subsequent

to the effective date of Commitment No. NT04-0166 (File No. 4ATL) issued by Fidelity National Title Insurance Company and prior to the closing of the sale of the property to Okeechobee Ranch, LLC ("Buyer").

That this Affidavit is made to induce Fidelity National Title Insurance Company to issue its policy of title insurance insuring said property.

Executed by me this \_\_ day of April, 2004

/s/ Harry J. Cynkus (Affiant)  
-----  
Harry J. Cynkus

STATE OF GEORGIA  
COUNTY OF FULTON

The foregoing instrument was sworn to, subscribed and acknowledged before me this \_\_\_\_ day of April, 2004 by Harry J. Cynkus, in his capacity as Secretary-Treasurer of Rollins Continental, Inc., a New York corporation, who is personally known to me.

-----  
Notary's Name:  
-----

(NOTARIAL SEAL)

My Commission Expires:

- -----

2  
Exhibit "A"

Record legal description

Okeechobee, Florida

ALL OF THE FOLLOWING PARCELS OF LAND lying and being in the County of Okeechobee, State of Florida, all being in Township 34 South, Range 35 East, and being more particularly described as follows:

Parcel 1:

S 1/2 of Section 15;  
E 1/2 of Section 16;  
All of Section 17;  
All of Section 18;  
All of Section 19;  
All of Section 20;  
All of Section 21;  
The N 1/2 of the N 1/2 and the S 1/2 of the SW 1/4 of Section 22;  
All of Section 27;  
All of Section 28;  
All of Section 29;  
All of Section 33; and  
All of Section 34.

TOGETHER WITH an undivided 1/4 interest in all oil and mineral rights in and to the above described property.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins by deed dated August 18, 1960, and recorded in Book 45, Page 19 of Okeechobee County, Florida records, less and except Section 30, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

3

Parcel 2:

All that parcel of the following described property lying west of U.S. Highway No. 441, to-wit:

The S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; W 1/2 of the SE 1/4; and S 1/2 of the SE 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

The W 1/2 of the NE 1/4 of Section 15; also, E 1/2 of the NE 1/4 of Section 15 (less a tract in the NE corner measuring 466.69 feet square and containing five acres) being KING'S SUBDIVISION of said land, according to plat thereof recorded in Plat Book 2, page 54, public records of Okeechobee County, Florida, LESS and EXCEPT, all of Block 1, Lots 1, 2, 3, 22, 23, 24 of Block 2; Lots 1, 2, 3, 22, 23 and 24 of Block 7, and Lots 10 to 17 inclusive of Block 8, in said Subdivision; all in Section 15, Township 34 South, Range 35 East.

NE 1/4 of the NW 1/4; S 1/2 of the NW 1/4; N 1/2 of the SW 1/4; SE 1/4 of the SW 1/4; all in Section 14, Township 34 South, Range 35 East; and the NW 1/4 of Section 23, Township 34 South, Range 35 East.

S 1/2 of Section 23; S 1/2 of the NW 1/4 and S 1/2 of Section 26; and Section 35; all in Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by O. Wayne Rollins and Grace C. Rollins, dated September 8, 1960, and recorded in Book 45, Page 21 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

Parcel 3:

S 50 feet of Section 31; and  
All of Section 32.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Mary Sisler, dated January 18, 1967, and recorded in Book 102, Page 13 of Okeechobee County, Florida records, less and except a portion of Section 31, which was conveyed to Thomas L. Hammons and Gerlinde M. Hammons, by deed dated November 19, 1979, and recorded in Book 231, Page 1609 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

4

Parcel 4:



The W 1/2 of Section 16, Township 34 South, Range 35 East, less rights of way for public roads and highways, including all improvements and buildings thereon.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Ernst Junker and Hilde Junker, dated March 10, 1969, and recorded in Book 112, Page 359 of Okeechobee County, Florida records.

Parcel 5:

The S 1/2 of NE 1/4 of Section 22, Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by Marjorie C. Leggett and Gordon V. Leggett dated May 26, 1972, and recorded in Book 137, Page 627 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

5

Parcel 6:

The N 1/2 of NE 1/4 of SE 1/4 of Section 22, Township 34 South, Range 35 East; and N 1/2 of the S 1/2 of N/E 1/4 of the SE 1/4, all in Section 22, Township 34 South, Range 35 East.

Being the same lands and premises granted and conveyed to Continental Broadcasting, Inc. by W.D. Coker and Zora R. Coker dated May 26, 1972, and recorded in Book 138, Page 193 of Okeechobee County, Florida records.

LESS AND EXCEPT all property lying within the rights of way of public roads or highways, if any.

6

EXHIBIT "B"

Permitted Encumbrances

Okeechobee, Florida

1. Current state and county ad valorem real property taxes not due and payable.
2. All easements for the maintenance of public utilities that serve only the Property,
3. Any matters which a current, accurate survey or physical inspection of the Property would show.
4. Any matters of public record, including but not limited to, those matters set forth in Title Commitment No. NT04-0166 (File No. 04ATL), issued by Fidelity National Title Insurance Company of New York and all the vesting deeds.

EXHIBIT "C"

Leases

NONE

EXHIBIT G

OWNER'S AFFIDAVIT AS TO MINERAL LEASES

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, ("Affiant") after first being duly sworn, do hereby state and depose, under penalties of perjury and upon oath, as follows with all recitals herein being limited to Affiant's knowledge:

1. I am over the age of 18 years, under no legal disabilities, have not been known by any name other than as set forth herein, and have personal knowledge of the facts and circumstances as herein set forth.
2. I am the \_\_\_\_\_ of Rollins Continental, Inc., a New York corporation, formerly known as Continental Broadcasting, Inc., a New York corporation, ("Rollins") and am duly authorized to make this Affidavit.
3. That the instruments referenced herein (the "subject instruments") are as follows:
  - (a) Oil, Gas and Mineral Lease in favor of Shell Oil Company, dated September 12, 1973, recorded February 22, 1974 in Official Record Book 156, page 371, of the Public Records of Okeechobee County, Florida.
  - (b) Oil, Gas and Mineral Lease in favor of Shell Oil Company dated September 12, 1973, recorded February 22, 1974 in Official Record Book 156, page 375, of the Public Records of Okeechobee County, Florida.
4. That there have been no amendments, modifications or extensions of the subject instruments, except as referenced herein, entered into by Rollins;
5. That Rollins has not received any payments for rents, leases or royalties in connection with the commercial production of oil, gas or minerals on the subject properties by the grantors recited in the subject instruments or their successors in interest for a period of at least 12 months prior to the date hereof.
6. That this Affidavit is made for the sole purpose of inducing Fidelity National Title Insurance Company to issue its policy of title insurance.

[Continued]

Executed by me this \_\_\_ day of April, 2004

\_\_\_\_\_ (Affiant)  
Name: \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was sworn to, subscribed and acknowledged before me this \_\_\_ day of April, 2004 by \_\_\_\_\_, in his/her capacity as \_\_\_\_\_ of Rollins Continental, Inc., a New York corporation, who is personally known to me or has produced \_\_\_\_\_ as identification.

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Notary's Name: \_\_\_\_\_

(NOTARIAL SEAL)

My Commission Expires:

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Certifications

I, Gary W. Rollins, President and Chief Executive Officer of Rollins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

By: /s/ Gary W. Rollins

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Gary W. Rollins  
Chief Executive Officer, President  
and Chief Operating Officer  
(Member of the Board of Directors)

I, Harry J. Cynkus, Chief Financial Officer of Rollins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2004

By: /s/ Harry J. Cynkus

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Harry J. Cynkus  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

To the best of their knowledge the undersigned hereby certify that the Quarterly Report on Form 10-Q of Rollins, Inc. for the quarterly period ended June 30, 2004, fully complies with the requirements of Sections 13(a) and 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Rollins, Inc.

Date: July 30, 2004

By: /s/ Gary W. Rollins

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Gary W. Rollins  
Chief Executive Officer, President  
and Chief Operating Officer  
(Member of the Board of Directors)

Date: July 30, 2004

By: /s/ Harry J. Cynkus

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Harry J. Cynkus  
Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)