

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

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FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 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 No. 1-4422

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ROLLINS, INC.

(Exact name of registrant as specified in its charter)

Delaware 51-0068479  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2170 Piedmont Road, N.E., Atlanta, Georgia 30324  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(404) 888-2000 Securities registered pursuant to Section 12(b) of the Act:  
Name of each

Title of each class Exchange on which registered  
Common Stock, \$1 Par Value The New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value of Rollins, Inc. Common Stock held by non-affiliates on June 30, 2004 was \$445,083,408 based on the reported last sale price of common stock on June 30, 2004, which is the last business day of the registrant's most recently completed second fiscal quarter.

Rollins, Inc. had 68,354,307 shares of Common Stock outstanding as of February 21, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2005 Annual Meeting of Stockholders of Rollins, Inc. are incorporated by reference into Part III, Items 10-14.

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#### PART I

Rollins, Inc. (the "Company") was originally incorporated in 1948 under the laws of the state of Delaware as Rollins Broadcasting, Inc.

The Company is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers in North America. Services are performed through a contract that specifies the pricing arrangement with the customer.

Orkin, Inc. ("Orkin"), a wholly owned subsidiary of the Company founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, food manufacturers, retailers and transportation companies. Orkin operates under the Orkin(R) and PCO Services, Inc.(R) trademarks and the AcuridSM service mark. The Orkin(R) brand name makes Orkin the most recognized pest and termite company in the country. The PCO Services brand name provides similar brand recognition in Canada. The Company is the largest pest control provider in Canada.

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. Since Western's founding in 1928, it has been a leader in the pest control business and is recognized for quality customer service. Western provides pest elimination services to over 130,000 customers from New York to Virginia with additional operations in Florida and Georgia. Many of Western's locations complement Orkin's network, including their strong commercial presence in the Northeast. A service niche in which Western is particularly strong is healthcare facilities. Western is the sole vendor for the New Jersey Hospital Association and provide services to over 400 nursing homes and over 1,400 healthcare facilities. Western also provides commercial services to the food processing industry, office buildings and restaurants.

The Company has only one reportable segment, its pest and termite control

business. Revenue, operating profit and identifiable assets for this segment, which includes the United States, Canada and Mexico, are included in Item 8 of this document, "Financial Statements and Supplementary Data" on pages 28 and 29. 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.

Orkin's "every other month" (EOM) service continues to attract new customers, and we expect this business will likewise increase in popularity during 2005. Currently, approximately 60% of Orkin's existing residential customers are utilizing our EOM service and over 70% of our new customers have opted for this service.

We are expanding regional call centers covering multiple branch locations to improve leads sold and sales started more efficiently than single branch efforts. Initial results suggest better capturing of inbound calls and increased sales. We are carefully examining the progress of these Call Centers, however we expect the majority of our leads will be handled through this network of Call Centers next year. We are developing new ways to add customers which include personalized mailers to new homeowners, outbound calls to cancelled accounts and unsold leads, and offering multi service discounts for our existing termite and pest control customers when buying the second service program.

In 2004, we emphasized selling by our technicians as a means for generating incremental pest control business and are pleased with our progress. We have the opportunity for improving and now have the monthly reporting in place to monitor this program more closely.

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In 2003, Orkin formed a Commercial Steering Committee (CSC) to review how we conduct commercial business across the entire organization and to recommend improvements. The CSC presented a course of action to the Executive Steering Committee in June 2004 which outlined a plan to enhance and streamline our business and better serve our commercial customers. Additionally, the CSC was charged to coordinate the various initiatives which touch our commercial business and to integrate them into a more efficient whole. To carry out their charter provided by the Executive Steering Committee, the CSC established five action teams to target key business processes, Sales, Product Packaging, Customer Management, Service Delivery and Finance and Billing. These teams designed related business processes to improve efficiency and made technology requirement recommendations to support these new processes. The design phase of the commercial project was completed at year end. An implementation team is now in the process of being formed and IT projects for Customer reporting and Routing and Scheduling are now being initiated.

Orkin's educational partnerships also provided new opportunities and additional brand awareness, and our Company is especially proud of three outstanding initiatives. First, our partnership with the National Science Teachers Association (NSTA), a nationwide organization with over 50,000 members, offers teachers the opportunity to have an Orkin Man visit their classroom to teach children about the importance of insects in our environment. At NSTA's national conference in April 2004, 956 teachers signed up for an Orkin Man presentation and 4,000 Orkin pest identification posters were distributed as teaching guides. Second, the O. Orkin Insect Zoo at the Smithsonian Museum of Natural History in Washington D.C. welcomed more visitors than almost any exhibit in the museum. Upgraded in 2003, the exhibit continues to educate children and adults on the value of insects in their surroundings. And thirdly, we have initiated a new collaboration alliance with the U.S. Centers for Disease Control and Prevention (CDC) to develop educational projects that target health-related risks. As we announced in July 2004, Orkin will co-develop materials to help our pest management professionals provide more comprehensive information to our customers and expand health-related information on Orkin's website. For the next 12 months, we will also co-develop and distribute public information regarding pests and the prevention of associated infectious diseases.

Orkin's commercial pest control programs enable us to deliver customized service to industries such as food processing and distribution, discount and grocery retailers, fast food, healthcare and restaurants. As the nation's largest commercial pest control provider, the Company services national chains (primarily sold through the Orkin National Accounts department) as well as locally-owned businesses. A primary goal of the Company is to grow national account revenue at a pace that will enable us to further expand our market share.

Orkin introduced the Gold Medal Protection program in the United States in 2003, which continues to attract new customers. This custom-designed pest control service is targeted to specific high-end commercial customers primarily in the food manufacturing and processing industry. The program provides a comprehensive reporting system that meets federal and state regulatory requirements. When a customer buys the Gold Medal program they are engaging Orkin's quality assurance people, including professional entomologists, sanitarians, food safety experts and commercial and industry specialists, to meet the client's expectations. The pest control assurance program is improving the service being provided to commercial customers and building stronger relationships. The Company is also improving our handheld computer capabilities

to support these customers. The program also guarantees free retreatment if the customer is not satisfied and Orkin commits to paying any regulatory penalties as a result of a shortfall in our service. This was the first pest control program of its kind in North America to receive ISO 9002 certification.

Research has shown that termites cause more damage to American structures than fires and storms combined. Orkin offers a treatment customized to a home's needs including inside, outside and within the foundation. Our directed liquid and directed liquid plus bait programs have been developed in conjunction with the entomology departments at leading universities. As a result, our approach to treating for subterranean termites has become the standard adopted by most pest control operators today.

In 2004, we began promoting our AutoPay customer purchase option, which allows new customers to use their debit or credit card to pay for their service automatically. We believe customers will increasingly utilize this convenient option. We are also finding that this offer of convenience is appreciated, as we have a better retention rate for the AutoPay customers.

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As more people turn to the Internet to help manage their active lives, the Orkin website ([www.orkin.com](http://www.orkin.com)) provides important online services while gaining recognition for the Orkin brand. We believe that the Internet presents an excellent opportunity for generating future growth for our company, and we are just beginning to appreciate this potential and take advantage of it. In 2002, Orkin received less than 100 leads from our company website; but by 2004, our focus and investment in this area led to over 46,000 leads. Our "interactive capability" means that customers can schedule their service online or ask a technical question - any time of the day or night. Almost 2,000 customers or prospects were visiting our website daily by year end.

The Global Positioning System ("GPS") technology, introduced four years ago, has resulted in improved driver safety and service production. Now, newer generation GPS units are installed that allow 24 / 7 monitoring and reporting of speed, location, and seatbelt usage as well as allowing remote updating of mapping software. This technology also details the route a service technician takes rather than just noting stops. These units create reports that are easier to read and allow data to be sent directly to a server. This equipment is being utilized in all of our Orkin branches and we are optimistic that it will be a building block to creating a comprehensive "routing and scheduling" system in the future.

The dollar amount of service contracts and backlog orders as of the end of the Company's 2004 and 2003 calendar years was up by 38% to approximately \$43.1 million and \$31.3 million, respectively. Backlog services and orders are usually provided within the month following the month of receipt, except in the area of prepaid pest control and bait monitoring services, which are usually provided within twelve months of receipt. The Company does not have a material portion of its business that may be subject to renegotiation of profits or termination of contracts at the election of a governmental entity.

Orkin was recognized by Training magazine as one of the Top 100 companies to excel in training and employee development for the third year in a row for 2004. The award is given to select companies that have created positive learning environments for their workforce. Orkin attained further recognition in 2004 for its training program by achieving first place honors for the BEST Award given by the American Society for Training and Development. The Rollins Training Center, located in Atlanta, was specifically referenced as evidence of the Company's dedication to employee performance improvement. The Rollins Training Center has a full-size house and several other real examples of building structures where technicians can see the relationship between pests and home construction. They can also practice performing pest treatments under the supervision of qualified instructors. In the classrooms, technicians acquire guidance in customer relations, pest problem solving and advanced technical skills through highly interactive instructor-led training.

In 2004, we expanded our 27,000 square foot Atlanta training facility to include a 13,000 square foot commercial training center. This new facility includes a commercial kitchen, bakery, hotel room, hospital room, locker room, pharmacy, restaurant, supermarket and warehouse space. We are confident that this industry-specialized training will help ensure that commercial technicians provide the best integrated pest management (IPM) service to their customers as they learn how to both identify and correct potential pest problems before they occur. Training in the commercial section began in August 2004, and the Company anticipates that an increasing number of technicians will receive training through our Atlanta commercial or residential centers during 2005.

Rollins' business development managers, working hand-in-hand with our division vice presidents and regional managers, continue to add to the Company's sales and marketing program success. As a result of improvement in lead generation and increased sales, sales employee retention has improved in our branches across the country.

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 49 Company franchises at the end of 2004 compared to 44 at the end of 2003. Subsequently, the Company opened two more franchises on January 1, 2005 to expand our total to 51 franchises.

#### Seasonality

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The increase in pest pressure and activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons), has historically resulted in an increase in the revenue of the Company's pest and termite control operations during such periods as evidenced by the following chart. In addition, revenues were favorably impacted in 2004 after the acquisition of Western Pest Services on April 30, 2004.

	Total Net Revenues		
	2004	2003	2002
First Quarter	\$160,416*	\$155,122	\$153,302
Second Quarter	202,725*	185,105	184,189
Third Quarter	203,925*	178,262	174,063
Fourth Quarter	183,818	158,524	153,871

\* Restated for change in accounting principle.

#### Inventories

The Company has relationships with multiple vendors for pest and termite control treatment products and maintains a sufficient level of chemicals, materials and other supplies to fulfill its immediate servicing needs and to alleviate any potential short-term shortage in availability from its national network of suppliers.

In early August 2004, the Company signed an agreement with Univar USA whereby Univar will provide warehouse, logistical and delivery services for Orkin's branches throughout the United States. Univar had been successfully supplying Orkin's Pacific Division and the Western Commercial Region for the past year. This arrangement enables the Company to concentrate even more on its core pest and termite control business. It will speed up the delivery of products to all branches, which will result in an improved service support while lowering branch inventories and freight costs.

As part of the agreement with Univar, Univar also acquired certain assets of Dettelbach Pesticide Corp, a wholly owned subsidiary of Orkin. Dettelbach, a southeastern pest control materials distributor, offered insecticides, termiticides, and equipment to pest control professionals and previously contributed approximately \$3.0 million in annual revenue to the Company.

#### Competition

The Company believes that Rollins, through Orkin and Western Pest Services, competes favorably with competitors as one of the world's largest pest and termite control companies, including Terminix and Ecolab.

The principal methods of competition in the Company's pest and termite control business are quality of service and guarantees, including the money-back guarantee on pest and termite control, and the termite retreatment and damage repair guarantee to qualified homeowners.

#### Research and Development

Expenditures by the Company on research activities relating to the development of new products or services are not significant. Some of the new and improved service methods and products are researched, developed and produced by unaffiliated universities and companies. Also, a portion of these methods and products are produced to the specifications provided by the Company.

Some of the more recent studies that have been conducted on behalf of the Company include studies on fly pathogens, ant pathogens, and other pests found in the food-processing environment by the University of Florida. The Company maintains a close relationship with several universities for research and validation of treatment procedures and material selection.

The Company also conducts tests of new products with the specific manufacturers of such products. These include a new proprietary mousetrap and a

biological foaming agent for commercial drain cleaning. The Company also works closely with industry consultants to improve service and establish new and innovative methods and procedures.

#### Environmental and Regulatory Considerations

The Company's Pest Control business is subject to various legislative and regulatory enactments that are designed to protect the environment, public health and consumer protection. Compliance with these requirements has not had a material negative effect on the Company's financial position, results of operations or liquidity.

##### Federal Insecticide Fungicide and Rodenticide Act ("FIFRA")

This federal law (as amended) grants the responsibility of the states to be the primary agent in enforcement and conditions under which pest control companies operate. Each state must meet certain guidelines of the Environmental Protection Agency in regulating the following: licensing, record keeping, contracts, standards of application, training and registration of products. This allows each state to institute certain features that set their regulatory programs in keeping with special interests of the citizens' wishes in each state. The pest control industry is impacted by these federal and state regulations.

##### Food Quality Protection Act of 1996 ("FQPA")

The FQPA governs the manufacture, labeling, handling and use of pesticides and does not have a direct impact on how we conduct our business.

#### Environmental Remediation

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as Superfund, is the primary Federal statute regulating the cleanup of inactive hazardous substance sites and imposing liability for cleanup on the responsible parties. Responsibilities governed by this statute include the management of hazardous substances, reporting releases of hazardous substances, and establishing the necessary contracts and agreements to conduct cleanup. Customarily, the parties involved will work with the EPA and under the direction of the responsible state agency to agree and implement a plan for site remediation.

#### Employees

The number of persons employed by the Company as of February 28, 2005 was approximately 7,800 compared to 7,200 at December 31, 2003. This increase in the number of employees was due to the addition of approximately 700 employees from the Western Pest acquisition. This increase in employees was partially offset by the continued transition to every-other-month pest control service, which has resulted in the need for fewer technicians along with other organizational changes, such as the move to regional call centers.

#### Recent Developments

The Board of Directors, at its quarterly meeting on January 25, 2005, authorized a three-for-two stock split by the issuance on March 10, 2005 of one additional common share for each two common shares held of record on February 10, 2005. Accordingly, the par value for additional shares issued will be adjusted to common stock, and fractional shares resulting from the stock split will be settled in cash. All share and per share data appearing throughout this Form 10-K have been retroactively adjusted for this split.

Also, at the same meeting, the Board of Directors authorized a 25% increase in the Company's quarterly dividend. The increased regular quarterly dividend of \$0.05 per share, as adjusted for the stock split, will be payable March 10, 2005 to stockholders of record at the close of business February 10, 2005. The Company's new annual dividend rate is \$0.20 per share as adjusted for the stock split.

#### Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports, are available free of charge on our web site at [www.rollins.com](http://www.rollins.com) as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission.

#### Risk Factors

We may not be able to compete in the competitive and technical pest control industry in the future.

We operate in a highly competitive industry. Our revenues and earnings may be affected by the following factors: changes in competitive prices, weather

related issues, general economic issues and governmental regulation. We compete with other large pest control companies, as well as numerous smaller pest control companies for a finite number of customers. We believe that the principal competitive factors in the market areas that we serve are product and service quality and availability, reputation for safety, technical proficiency and price. Although we believe that our experience and reputation for safety and quality service is excellent, we cannot assure that we will be able to maintain our competitive position.

We may not be able to identify, complete or successfully consolidate acquisitions.

Acquisitions have been and will continue to be an important element of our business strategy. We cannot assure that we will be able to identify and acquire acceptable acquisition candidates on terms favorable to us in the future. We cannot assure that we will be able to consolidate successfully the operations and assets of any acquired business with our own business. Any inability on our part to consolidate and manage the growth from acquired businesses could have a material adverse effect on our results of operations and financial condition.

Our operations are affected by adverse weather conditions.

Our operations are directly affected by the weather conditions across the United States and Canada. The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. The increase in pest pressure and activity, as well as the metamorphosis of termites in the spring and summer (the occurrence of which is determined by the timing of the change in seasons), has historically resulted in an increase in the revenue and income of the Company's pest and termite control operations during such periods.

Our inability to attract and retain skilled workers may impair growth potential and profitability.

Our ability to remain productive and profitable will depend substantially on our ability to attract and retain skilled workers. Our ability to expand our operations is in part impacted by our ability to increase our labor force. The demand for skilled employees is high, and the supply is very limited. A significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force, increases in the wage rates paid by us, or both. If either of these events occurred, our capacity and profitability could be diminished, and our growth potential could be impaired.

Our operations could be affected by pending and ongoing litigation.

In the normal course of business, Orkin is a defendant in a number of lawsuits, including Butland et al. v. Orkin Exterminating Company, Inc. et al. pending in the Circuit Court of Hillsborough County, Tampa, Florida which alleges that plaintiffs have been damaged as a result of the rendering of services by Orkin personnel and equipment. Orkin is actively contesting these actions. Some 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. Additionally, arbitration has been filed in Jacksonville, Florida, by Cynthia Garrett against Orkin (Cynthia Garrett v. Orkin, Inc.) in which the plaintiff is seeking certification of a class. The Company believes these matters to be without merit and intends to vigorously contest certification and defend itself through trial or arbitration, 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.

Our operations may be adversely affected if we are unable to comply with regulatory and environmental laws.

Our business is significantly affected by environmental laws and other regulations relating to the pest control industry and by changes in such laws and the level of enforcement of such laws. We are unable to predict the level of enforcement of existing laws and regulations, how such laws and regulations may be interpreted by enforcement agencies or court rulings, or whether additional laws and regulations will be adopted. We believe our present operations substantially comply with applicable federal and state environmental laws and regulations. We also believe that compliance with such laws has had no material adverse effect on our operations to date. However, such environmental laws are changed frequently. We are unable to predict whether environmental laws will, in the future, materially affect our operations and financial condition. Penalties for noncompliance with these laws may include cancellation of licenses, fines, and other corrective actions, which would negatively affect our future financial results.

Item 2. Properties.

The Company's administrative headquarters are owned by the Company, and are

located at 2170 Piedmont Road, N.E., Atlanta, Georgia 30324. The Company owns or leases several hundred branch offices and operating facilities used in its business as well as the Rollins Training Center located in Atlanta, Georgia. None of the branch offices, individually considered, represents a materially important physical property of the Company. The facilities are suitable and adequate to meet the current and reasonably anticipated future needs of the Company. The Company acquired and now owns 15 new branch locations as part of the Western acquisition, as well as 13 that are leased.

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 \$0.11 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 small portion of the proceeds. The real estate was under a lease agreement with annual rentals of \$131,939 that would have 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. In addition, the Company on October 22, 2004 purchased real estate located at 2158 Piedmont Road, N.E., Atlanta, Georgia 30324, adjacent to the Company's headquarters, from LOR, Inc. for \$4.6 million. 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 sold an additional piece of real estate in Sussex County, Delaware to LOR, Inc. or an entity wholly owned by LOR, Inc. for \$10.6 million in cash. The transaction took place on December 29, 2004 and resulted in a \$6.3 million gain, net of costs and after taxes.

#### Item 3. Legal Proceedings.

Orkin, one of the Company's subsidiaries, is 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. In December the Court issued a new ruling certifying the class action. Orkin intends to appeal this new ruling to the Florida Second District Court of Appeals. 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.

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Orkin was also a named defendant in Helen Cutler and Mary Lewin v. Orkin Exterminating Company, Inc. et al. in the District Court of Houston County, Alabama. The plaintiffs in the above mentioned case filed suit in March of 1996 and were seeking monetary damages and injunctive relief for alleged breach of contract arising out of alleged missed or inadequate reinspections. The parties settled this matter and it is now concluded. In the opinion of Management, the ultimate resolution of this action did 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, results of operations or liquidity.

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. Some 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. An arbitration has also been filed in Jacksonville, Florida, by Cynthia Garrett against Orkin (Cynthia Garrett v. Orkin, Inc.) in which the plaintiff is seeking certification of a class. The Company believes these matters to be without merit and intends to vigorously contest certification and defend itself through trial or arbitration, 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.

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

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2004.

## Item 4.A. Executive Officers of the Registrant.

Each of the executive officers of the Company was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next Annual Meeting of Stockholders or until his earlier removal by the Board of Directors or his resignation. The following table lists the executive officers of the Company and their ages, offices with the Company, and the dates from which they have continually served in their present offices with the Company.

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Name	Age	Office with Registrant	Date First Elected to Present Office
<S>	<C>	<C>	<C>
R. Randall Rollins (1)	73	Chairman of the Board	10/22/91
Gary W. Rollins (1) (2)	60	Chief Executive Officer, President and Chief Operating Officer	7/24/01
Michael W. Knottek (3)	60	Senior Vice President and Secretary	4/23/02
Harry J. Cynkus (4)	55	Chief Financial Officer and Treasurer	5/28/98
Glen W. Rollins (5)	38	Vice President	4/23/02

&lt;/TABLE&gt;

(1) R. Randall Rollins and Gary W. Rollins are brothers.

(2) Gary W. Rollins was elected to the office of President and Chief Operating Officer in January 1984. He was elected to the additional office of Chief Executive Officer in July 2001. In February 2004, he was named Chairman of Orkin, Inc.

(3) Michael W. Knottek joined the Company in June 1997 as Vice President and, in addition, was elected Secretary in May 1998. He became Senior Vice President in April of 2002. From 1992 to 1997, Mr. Knottek held a variety of executive management positions with National Linen Service, including Senior Vice President of Finance and Administration and Chief Financial Officer. Prior to 1992, he held a variety of senior positions with Initial USA, finally serving as President from 1991 to 1992.

(4) Harry J. Cynkus joined the Company in April 1998 and, in May 1998, was elected Chief Financial Officer and Treasurer. From 1996 to 1998, Mr. Cynkus served as Chief Financial Officer of Mayer Electric Company, a wholesaler of electrical supplies. From 1994 to 1996, he served as Vice President - Information Systems for Brach & Brock Confections, the acquirer of Brock Candy Company, where Mr. Cynkus served as Vice President - Finance and Chief Financial Officer from 1992 to 1994. From 1989 to 1992, he served as Vice President - Finance of Initial USA, a division of an international support services company. Mr. Cynkus is a Certified Public Accountant.

(5) Glen W. Rollins is the son of Gary W. Rollins. He joined the Company in 1989 and has held a variety of field management and staff positions within the organization. He was elected Executive Vice President of Orkin, Inc. in June 2001. In April 2002, he was named Vice President of Rollins, Inc. In February 2004, he was named President and Chief Operating Officer of Orkin, Inc.

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Common Stock of the Company is listed on the New York and is traded on the Philadelphia, Chicago and Boston Exchanges under the symbol ROL. The high and low prices of the Company's common stock and dividends paid for each quarter in the years ended December 31, 2004 and 2003 (all prices were adjusted for the stock split effective March 10, 2005) were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

## STOCK PRICES AND DIVIDENDS

Rounded to the nearest \$.01

	Stock Price			Dividends		Stock Price			Dividends	
	-----		Paid	Per Share	2003	-----		Paid	Per Share	
2004	High	Low				High	Low			

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
First Quarter	\$17.67	\$14.83	\$.04	First Quarter	\$15.93	\$11.38	\$.03
Second Quarter	18.07	14.07	.04	Second Quarter	16.60	12.14	.03
Third Quarter	16.66	14.56	.04	Third Quarter	13.15	10.91	.03
Fourth Quarter	18.30	15.96	.04	Fourth Quarter	15.65	11.87	.03

&lt;FN&gt;

The number of stockholders of record as of February 21, 2005 was 1,731.

&lt;/FN&gt;

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;CAPTION&gt;

## Issuer Purchases Of Equity Securities

Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plan	Maximum Number of Shares that May Yet Be Purchased Under the Repurchase Plan
<S>	<C>	<C>	<C>	<C>
October 2004 974,526	7,139	\$17.56	0	
November 2004 974,526	18,102	\$17.39	0	
December 2004 917,526	15,582	\$17.33	57,000	
=====	=====	=====	=====	=====
Total 917,526	40,823	\$17.39	57,000	
<FN>				
(1) All repurchases shown are repurchases in connection with exercise of employee stock options.				
</FN>				
=====	=====	=====	=====	=====
</TABLE>				

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## Item 6. Selected Financial Data.

The following summary financial data of Rollins highlights selected financial data and should be read in conjunction with the financial statements included elsewhere in this document.

&lt;TABLE&gt;

&lt;CAPTION&gt;

## FIVE-YEAR FINANCIAL SUMMARY

## Rollins, Inc. and Subsidiaries

All earnings per share and dividends per share have been restated for 2002, 2001 and 2000 for the three-for-two stock split effective March 10, 2003 for all shares held on February 10, 2003 and all shares have been restated for the three-for-two stock split effective March 10, 2005.

	Years Ended December 31,				
(in thousands except per share data)	2004	2003	2002	2001	2000
<b>OPERATIONS SUMMARY</b>					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$750,884	\$677,013	\$665,425	\$649,925	\$646,878
Income Before Income Taxes	98,712	60,030	43,726	27,326	15,403
Income before cumulative effect of a change in accounting principles	58,259	35,761	27,110	16,942	9,550
Cumulative effect on prior years of changing to a different revenue and cost recognition method	(6,204)	---	---	---	---
Net Income	\$ 52,055	\$ 35,761	\$ 27,110	\$ 16,942	\$ 9,550
Income Per Share--Basic:					
Income before change in accounting principle	0.85	0.53	0.40	0.25	0.14
Cumulative effect of change in accounting principle	(0.09)	---	---	---	---

Net Income	0.76	0.53	0.40	0.25	0.14
Income Per Share--Diluted:					
Income before change in accounting principle	0.83	0.51	0.40	0.25	0.14
Cumulative effect of change in accounting principle	(0.09)	---	---	---	---
Net Income	\$ 0.74	\$ 0.51	\$ 0.40	\$ 0.25	\$ 0.14
Pro forma amounts assuming the new accounting method is applied retroactively					
Net Income	\$ 58,259	\$ 38,019	\$ *	\$ *	\$ *
Income per share - Basic	\$ .85	\$ 0.56	\$ *	\$ *	\$ *
Income per share - Diluted	\$ .83	\$ 0.55	\$ *	\$ *	\$ *
Dividends per Share	\$ 0.16	\$ 0.13	\$ 0.09	\$ 0.09	\$ 0.09

&lt;FN&gt;

\*The pro forma amounts for periods prior to 2003 are not determinable as the newly adopted accounting method requires discrete information on claims outstanding and certain other post-contract liabilities that is not available.

&lt;/FN&gt;

&lt;/TABLE&gt;

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<TABLE>  
<CAPTION>

## FINANCIAL POSITION

	At December 31,				
	2004	2003	2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Total Assets	\$418,780	\$349,904	\$318,338	\$296,559	\$298,819
Noncurrent Capital Lease Obligations	--	--	--	--	256
Long-Term Debt	1,700	1,734	2,913	4,895	4,656
Stockholders' Equity	\$167,549	\$138,774	\$ 90,690	\$ 85,498	\$ 78,599
Number of Shares Outstanding at Year-End	68,504	67,735	67,199	67,658	67,581

&lt;/TABLE&gt;

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

<TABLE>  
<CAPTION>  
RESULTS OF OPERATIONS

(in thousands)	Years Ended December 31,					% Better/(Worse) as Compared to Prior Year
	2004	2003	2002	2004	2003	
--						
<S>	<C>	<C>	<C>	<C>	<C>	
Revenues	\$750,884	\$677,013	\$665,425	10.9%	1.7%	
Cost of Services Provided	395,334	362,422	361,318	(9.1)	(0.3)	
Depreciation and Amortization	23,034	20,179	21,635	(14.1)	6.7	
Sales, General and Administrative	258,893	236,514	238,180	(9.5)	0.7	
(Gain)/Loss on Sale of Assets	(24,716)	(1,700)	762	N/M	N/M	
Interest Income	(373)	(432)	(196)	(13.7)	120.4	
Income Before Income Taxes	98,712	60,030	43,726	64.4	37.3	
Provision for Income Taxes	40,453	24,269	16,616	(66.7)	(46.1)	
Cumulative Effect of a Change in Accounting Principle	(6,204)	---	---	N/M	N/M	
Net Income	\$52,055	\$35,761	\$27,110	45.6%	31.9%	

## General Operating Comments

The Company's addition of Western Pest Services, along with continued emphasis on customer retention and building recurring revenues, was the primary driver of revenue growth of 16.0% in the fourth quarter and 10.9% for the year ended December 31, 2004 as compared to the prior year periods, despite severe weather from four hurricanes in Florida and other parts of the country in 2004.

The financial results for the fourth quarter and the twelve months ended December 31, 2004 were positively impacted by the continued benefit of our every-other-month residential pest control service, which was 80.8% of all new residential sales in the fourth quarter, Gold Medal premium commercial pest control services, and termite directed liquid and baiting treatment.

For the fourth quarter of 2004, the Company had net income of \$13.9 million compared to net income of \$4.8 million in the fourth quarter of 2003, which represents a 187.4% increase. In addition to the revenue increase of 16.0%, the Company achieved margin improvement in Cost of Services Provided of 0.4 percentage points and Sales, General and Administrative Expenses of 1.4 percentage points, expressed as a percentage of revenues. In addition, the effective income tax rate was 38.7% in the fourth quarter of 2004 as compared to 52.4% in fourth quarter of 2003.

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For the year ended December 31, 2004, the Company had income before the change in accounting principle of \$58.3 million compared to net income of \$35.8 million in 2003, which represents a 62.9% increase. In addition to the revenue increase of 10.9%, the Company achieved margin improvements, expressed as a percentage of revenues, in Cost of Services Provided of 0.9 percentage points and in Sales, General and Administrative of 0.4 percentage points.

For the year ended December 31, 2004, the Company's cash, short-term investments and marketable securities declined by \$24.7 million, mainly due to the \$110 million cash purchase of Western Pest Services in April 2004. The Company had total Cash and Short-Term Investments of \$56.7 million as of December 31, 2004, a 30.3% decrease from December 31, 2003.

The Company began its Orkin franchise program in the U.S. in 1994, and established its first international franchise in Mexico in 2000 and its second international franchise in Panama in 2003. At December 31, 2004, Orkin had 49 franchises in total as compared to 44 as of December 31, 2003. Subsequently, the Company opened two more franchises on January 1, 2005 to expand our total to 51 franchises.

#### Results of Operations--2004 Versus 2003

Revenues for the year ended December 31, 2004 were \$750.9 million, an increase of \$73.9 million or 10.9% from last year's revenues of \$677.0 million. The Company's acquisition of Western Pest Services increased Revenue by \$49.0 million for the year. The Company's historical business prior to the acquisition of Western Pest was \$701.4 million for the year, a \$23.4 million increase or 3.5% compared to 2003. The Company's historical business information is included for core business comparisons to the prior year. The Company's Commercial revenue growth increased 18%, due primarily to the acquisition of Western Pest Services, better customer retention in Orkin's U.S. operations, and strong growth in its Canadian business operations. The Company's commercial pest control division continued to receive favorable reaction to the rollout of its premium Gold Medal service, which specifically targets food processing and manufacturing companies. Residential pest control revenues rose by 9.4% in 2004, helped by the Western acquisition as well growth in the customer base, 4.8% growth in units sold, better average selling prices, continued improvements in customer retention, and successful price increase campaigns in Orkin's operations. Every-other-month service, our primary residential pest control service offering, continues to grow in importance, comprising over 60% of our residential pest control customer base at December 31, 2004.

Termite revenues increased by 3.4% for the year ended December 31, 2004 primarily due to the addition of Western Pest Services. Orkin's termite revenues declined slightly due to loss in customer base from the expiration of fixed-term contracts and lower unit sales, partially offset by slightly higher average selling prices.

The Company's foreign operations accounted for approximately 6.5% of total revenues for the year ended December 31, 2004 as compared to 6.3% in 2003.

The business of the Company is affected by the seasonal nature of the Company's pest and termite control services. In addition, revenues were favorably impacted in 2004 after the acquisition of Western Pest Services on April 30, 2004.

Cost of Services Provided for the year ended December 31, 2004 increased \$32.9 million or 9.1%, although the expense margin expressed as a percentage of revenues improved by 0.9 percentage points, representing 52.6% of revenues for the year ended December 31, 2004 compared to 53.5% of revenues in the prior year. The dollar increase was mainly due to the addition of Western Pest Services, which accounted for \$30.2 million of the total, as well as increases in service salaries, fleet expenses due to higher fuel costs, and fringe benefit costs due to higher group medical insurance and pension costs, partially offset by improvements in insurance and claims costs. Service technician productivity and average pay continued to improve, which leads to better employee retention and, in Management's opinion, improved customer retention.

Sales, General and Administrative for the year ended December 31, 2004 increased \$22.4 million or 9.5% while improving as a percentage of revenues by 0.4 percentage points, averaging 34.5% of total revenues compared to 34.9% for the prior year. The increase for the year was primarily a result of the acquisition of Western Pest Services, which was \$16.4 million, as well as increases in administrative salaries, fringe benefits, fleet costs, travel, advertising and promotions, bad debts and maintenance and repairs and other expenses.

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Depreciation and Amortization expenses for the year ended December 31, 2004 were \$23.0 million or 14.1% higher than the prior year. The increase was due to the acquisition of Western Pest Services, which accounted for \$4.5 million while depreciation decreased in other areas as assets continue to become fully depreciated and amortized at a faster rate than new capital expenditures. The Company had approximately \$14.2 million in capital expenditures during the year ended December 31, 2004 compared to \$10.6 million in 2003.

In addition, the Company realized a net gain of \$24.7 million, before income taxes, from the sale or disposal of assets for the year ended December 31, 2004, as compared to \$1.7 million for the year ended December 31, 2003.

The Company's effective tax rate was 40.5% for the first quarter of 2004, 42.7% for the second quarter, 40.5% for the third quarter, and 38.7% for the fourth quarter. As a result, the effective tax rate for the year increased to 41.0%, as compared to 40.4% in 2003.

#### Results of Operations--2003 Versus 2002

Revenues for the year ended December 31, 2003 were \$677.0 million, an increase of \$11.6 million or 1.7% from the prior year's revenues of \$665.4 million. The Company's revenue growth was very similar across its primary services, which are residential pest control, commercial pest control, and termite service. The growth in pest control revenues for the year reflected growth in the customer base, better average selling prices, continued improvements in customer retention, and successful price increase campaigns. Every-other-month service, our primary residential pest control service offering, continued to grow in importance, comprising 55% of our residential pest control customer base at December 31, 2003. In commercial pest control, the Company continued to receive favorable reaction to the rollout of its premium Gold Medal service, which specifically targets food processing and manufacturing companies, and also achieved improvements in average prices on new sales and successful price increases from existing customers. In the summer of 2003, Orkin began test marketing a mosquito control program in the northern United States and Canada. While working to address the threat of mosquito-borne diseases in the U.S., a highly successful West Nile virus preventative program was also implemented in Ontario, Canada. Two provinces were provided thousands of larvicide treatments to mosquito breeding grounds reducing the population of adult mosquitoes and their eggs. The Company expanded the mosquito control program in Canada and other U.S. markets in the spring of 2004. As another sign of strengthening in the commercial market, the Company achieved a monthly record high of sales to national accounts in September 2003.

Termite revenues increased in the fourth quarter as a result of higher new job completions and continued growth in recurring revenues from bait monitoring and renewal revenues, although termite revenues for the twelve months ended December 31, 2003 decreased slightly, mainly as a result of the unusually wet and cold weather in parts of the U.S. in the first half of 2003. Per the National Climatic Data Center's 109 years of tracking weather data, temperatures in the Northeast Region of the country were the 10th coldest on record, and the Southeast experienced the second wettest six month period on record. The Company's foreign operations accounted for approximately 6.3% of total revenues for the year ended December 31, 2003.

Cost of Services Provided for the year ended December 31, 2003 increased \$1.1 million or 0.3%, although the expense margin expressed as a percentage of revenues improved by 0.8 percentage points, representing 53.5% of revenues for the year ended December 31, 2003 compared to 54.3% of revenues in the prior year. The dollar increase was mainly due to an increase in fleet expenses, as a result of higher fuel costs and a temporary spike in vehicle counts in the first quarter as the Company transitioned to a new fleet agreement, and an increase in fringe benefit costs due to higher pension and group medical costs, partially offset by improvements in service salaries, administrative salaries, and materials and supplies. Service technician productivity and average pay continued to improve, which leads to better employee retention and, in Management's opinion, improved customer retention.

Sales, General and Administrative for the year ended December 31, 2003 decreased \$1.7 million or 0.7% and, as a percentage of revenues, improved by 0.9 percentage points or 2.5%, averaging 34.9% of total revenues compared to 35.8% for the prior year. The improvement for the year was a result of the home office process improvement initiative started in 2002, lower field administrative costs as a result of technology and organizational investments, lower sales payroll due to lower staffing and partly from the formation of in-bound call centers, and lower bad debt expenses due to better collections and improvement in the

receivables aging statistics. These were partially offset by higher fringe benefit costs, advertising, and an increase in the summer sales program costs.

Depreciation and Amortization expenses for the year ended December 31, 2003 were \$1.5 million or 6.7% lower than the prior year. The decrease was due to certain technology assets becoming fully depreciated in of 2003. The Company had approximately \$10.6 million in capital expenditures during the year ended December 31, 2003 compared to \$10.4 million in 2002.

In addition, the Company realized a net gain of \$1.7 million from the sale or disposal of assets in the fourth quarter of 2003.

The Company's effective tax rate was 38.0% for the periods prior to the fourth quarter of 2003. The effective tax rate was increased to 40.4% in 2003 to reflect an increase in the effective state income tax rate for the year, as well as "true up" adjustments in the fourth quarter of approximately \$1.1 million. As a result, the effective tax rate for the fourth quarter increased to 52.4%.

#### 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 \$0.11 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 small portion of the proceeds. The real estate was under a lease agreement with annual rentals of \$131,939 that would have 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. In addition, the Company on October 22, 2004 purchased real estate located at 2158 Piedmont Road, N.E., Atlanta, Georgia 30324, adjacent to the Company's headquarters, from LOR, Inc. for \$4.6 million. 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 sold an additional piece of real estate in Sussex County, Delaware to LOR, Inc. or an entity wholly owned by LOR, Inc. for \$10.6 million in cash. The transaction took place on December 29, 2004 and resulted in a \$6.3 million gain, net of costs and after taxes.

#### 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 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 claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. 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 precisely 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 and baiting program, more effective termiticides, and expanding training.

**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. Due to the uncertainty associated with the estimation of future loss and expense payments and inherent limitations of the data, actual developments may vary

from the Company's projections. This is particularly true since critical assumptions regarding the parameters used to develop reserve estimates are largely based upon judgment. Therefore, changes in estimates may be sufficiently material. 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. 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 termicide 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.

Prior to 2004, traditional termite treatments were recognized as revenue at the renewal date and an accrual was established for estimated costs of reapplications and repairs to be incurred. Under the newly adopted accounting method, the revenue received is deferred and recognized on a straight-line basis over the remaining contract term; and, the cost of reinspections, reapplications and repairs and associated labor and chemicals are expensed as incurred. For outstanding claims, an estimate is made of the costs to be incurred (including legal costs) based upon current factors and historical information. The performance of reinspections tends to be close to the contract renewal date and, while reapplications and repairs involve an insubstantial number of the contracts, these costs are incurred over the contract term. The newly adopted accounting principle eliminates the need to obtain actuarial estimates of the claim costs to be incurred and management's estimates of reapplication costs. Also, management believes the newly adopted accounting method more closely conforms to the current pattern under which revenues are earned and expenses are incurred, and conforms the accounting methodology of Orkin and its recently acquired subsidiary, Western Pest Services. The costs of providing termite services upon renewal are compared to the expected revenue to be received and a provision is made for any expected losses.

Due to this change, the Company recorded a cumulative adjustment of \$6.2 million (net of income taxes). As the revenue is being deferred, the future cost of reinspections, reapplications and repairs and associated labor and chemicals applicable to the deferred revenue are expensed as incurred and no longer accrued. The Company will continue to accrue for noticed claims.

**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.

**Stock-Based Compensation--** In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the third quarter of fiscal 2005, beginning July 1, 2005. Under SFAS 123R, Rollins must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. Rollins is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will not have a material impact on Rollins' consolidated results of operations and earnings per share. Rollins has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

#### Liquidity and Capital Resources

<TABLE>  
<CAPTION>  
Cash and Cash Flow

	Years ended December 31,		
(in thousands)	2004	2003	2002
<S>	<C>	<C>	<C>
Net Cash Provided by Operating Activities	\$ 71,927	\$ 60,319	\$ 53,694
Net Cash Used in Investing Activities	(64,702)	(32,306)	(12,155)
Net Cash Used in Financing Activities	(12,436)	(7,306)	(11,884)
Effect of Exchange Rate Changes on Cash	2,408	518	10
Net Increase/(Decrease) in Cash and Short-Term Investments	\$ (2,803)	\$ 21,225	\$ 29,665

</TABLE>

The Company believes its current cash balances, future cash flows from operating activities and available borrowings under its \$70.0 million line of credit will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future. The Company's operations generated cash of \$71.9 million for the year ended December 31, 2004, compared with cash provided by operating activities of \$60.3 million in 2003 and \$53.7 million in 2002.

The Company invested approximately \$14.2 million in capital expenditures during the year ended December 31, 2004. Capital expenditures for the year consisted primarily of the purchase of property at 2158 Piedmont Road as well as equipment replacements and upgrades and improvements to the Company's management information systems. The Company expects to invest between \$10.0 million and \$14.0 million in 2005 in capital expenditures. During the year, the Company made several acquisitions totaling \$98.1 million compared to \$1.5 million during 2003. The acquisitions were funded primarily with cash from operations and a \$15 million loan taken for the Western Pest acquisition. The \$15 million was paid within the same month from cash provided from operations. The Company continues to seek new acquisitions and will also give consideration to any attractive acquisition opportunities presented. A total of \$10.9 million was paid in cash dividends (\$0.04 per share a quarter) during the

year, compared to \$9.0 million or \$0.03 per share a quarter during 2003. The Company repurchased 57,000 shares of Common Stock in 2004 and there remain 917,526 shares authorized to be repurchased under prior Board authorization. The Company maintains \$70.0 million of credit facilities with commercial banks, of which no borrowings were outstanding as of December 31, 2004 or February 15, 2005. The Company maintains approximately \$34.5 million in Letters of Credit which reduced its borrowing capacity under the credit facilities. These Letters of Credit are required by the Company's fronting insurance companies and/or certain states, due to the Company's self-funded status, to secure various workers' compensation and casualty insurance contracts. These letters of credit are established by the bank for the Company's fronting insurance companies as collateral, although the Company believes that it has adequate liquid assets,

funding sources and insurance accruals to accommodate such claims.

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. Other lawsuits against Orkin, and in some instances the Company, are also being vigorously defended, including the Warren, Petsch, and Stevens cases and the Garrett arbitration. For further discussion, see Note 7 to the accompanying financial statements.

The Company made a contribution of \$3.0 million to its defined benefit retirement plan (the "Plan") during 2004 as a result of the Plan's funding status. The Company believes that it will make contributions in the amount of approximately \$4.0 million to \$6.0 million in 2005. 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.

The decline in the Accrual for Termite Contracts of \$18.6 million or 42.3% is reflective of the change in accounting principle as well as improvement in the experience rate. The number of new termite claims declined for the sixth year in a row and was 19.6% lower than 2003, which is a result of improved treatment techniques, more effective termiticides, shorter-term guarantees and quality assurance initiatives. For further discussion, see Note 6 to the accompanying financial statements. Accrued Insurance decreased \$1.4 million or 3.7% during the year as a result of improved experience rate, attributable to the Company's proactive management of issues associated with self-insured risks.

#### Contractual Obligations

The impact that the Company's contractual obligations as of December 31, 2004 are expected to have on our liquidity and cash flow in future periods is as follows:

<TABLE>  
<CAPTION>

Contractual Obligations (in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Long-Term Debt	\$ 470	\$ 187	\$ 225	\$ 58	\$ --
Non-cancelable operating leases	66,383	20,244	24,355	9,679	12,105
Acquisition notes payable	2,517	1,100	1,213	72	132
Total (1)	\$69,370	\$21,531	\$25,793	\$9,809	\$12,237

<FN>

(1) Minimum pension funding requirements are not included as such amounts have not been determined. The Company estimates that it will contribute approximately \$4.0 million to \$6.0 million to the plan in fiscal 2005.

</FN>

</TABLE>

#### Impact of Recent Accounting Pronouncements

In November 2002, the Emerging Issues Task Force issued EITF 00-21, Revenue Arrangements with Multiple Deliverables, which is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted EITF 00-21 in the third quarter of 2003. This EITF addresses how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. The Company's termite baiting service involves multiple deliverables, consisting of an initial directed liquid termiticide treatment, installation of termite monitoring stations, and subsequent periodic monitoring inspections. The portion of the termite baiting service sales price applicable to subsequent periodic monitoring inspections, which is determined based on fair value, is deferred and recognized over the first year of each contract. The portion of the sales price

applicable to the termiticide treatment and installation of the monitoring services is determined under the residual method (the total sales price less the fair value of the monitoring inspections). Revenues from the termiticide treatment and installation of the termite monitoring stations are recognized upon performance of the service and installation. The adoption of this EITF did not have a significant effect on the Company's financial position, results of operations or liquidity.

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 are 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. During 2003, the Company adopted FIN 46 with respect to variable interest entities created after January 31, 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.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the third quarter of fiscal 2005, beginning July 1, 2005. Under SFAS 123R, Rollins must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. Rollins is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will not have a material impact on Rollins' consolidated results of operations and earnings per share. Rollins has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

#### Forward-Looking Statements

This Annual 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 impact of potential future pension plan contributions, future contributions of Western, expected contributions of the commercial business segment, and the outcome of litigation arising in the ordinary course of business and the outcome of 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 2005 capital expenditures; the impact of recent accounting pronouncements; the expected outcome of the growth of national account revenue. 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 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. 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.

#### Market Risk

As of December 31, 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 facility. Due to the absence of such borrowings as of December 31, 2004, this risk was not significant in 2004 and is not expected to have a material effect upon the Company's results of operations or financial position going forward. However, the Company does maintain approximately \$34.5 million in Letters of Credit. 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 8. Financial Statements and Supplementary Data.

At December 31, (in thousands except share and per share data)	2004	2003
<S>	<C>	<C>
<b>ASSETS</b>		
Cash and Short-Term Investments	\$ 56,737	\$ 59,540
Marketable Securities	--	21,866
Trade Receivables, Short Term, Net of Allowance for Doubtful Accounts of \$4,032 and \$3,729, respectively	45,469	39,380
Materials and Supplies	8,876	9,837
Deferred Income Taxes	28,355	23,243
Other Current Assets	7,368	7,414
<b>Total Current Assets</b>	<b>146,805</b>	<b>161,280</b>
Equipment and Property, Net	49,163	35,836
Goodwill	121,532	72,498
Customer Contracts and Other Intangible Assets	73,938	30,333
Deferred Income Taxes	13,328	15,902
Trade Receivables, Long Term, Net of Allowance for Doubtful Accounts of \$1,076 and \$887, respectively	9,755	9,091
Prepaid Pension	---	24,964
Other Assets	4,259	---
<b>Total Assets</b>	<b>\$418,780</b>	<b>\$349,904</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 15,438	\$ 12,290
Accrued Insurance	14,963	13,050
Accrued Compensation and Related Liabilities	38,453	31,019
Unearned Revenue	81,195	46,007
Accrual for Termite Contracts	11,992	21,500
Other Current Liabilities	25,939	21,156
<b>Total Current Liabilities</b>	<b>187,980</b>	<b>145,022</b>
Accrued Insurance, Less Current Portion	22,667	26,024
Accrual for Termite Contracts, Less Current Portion	13,319	22,373
Accrued Pension	10,579	---
Long-Term Accrued Liabilities	16,686	17,711
<b>Total Liabilities</b>	<b>251,231</b>	<b>211,130</b>
<b>Commitments and Contingencies</b>		

<S>	<C>	<C>
STOCKHOLDERS' EQUITY		
Common Stock, par value \$1 per share; 99,500,000 shares authorized; 69,060,112 and 68,356,027 shares issued, respectively	69,060	68,356
Treasury Stock, at par value of \$1 per share, 556,000 shares at December 31, 2004 and 621,000 shares at December 31, 2003	(556)	(621)
Additional Paid-In Capital	10,659	4,408
Accumulated Other Comprehensive Loss	(16,066)	(314)
Unearned Compensation	(3,475)	(107)
Retained Earnings	107,927	67,052
<b>Total Stockholders' Equity</b>	<b>167,549</b>	<b>138,774</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$418,780</b>	<b>\$349,904</b>

&lt;FN&gt;

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

&lt;/FN&gt;

&lt;/TABLE&gt;

<TABLE>  
<CAPTION>  
CONSOLIDATED STATEMENTS OF INCOME

## Rollins, Inc. and Subsidiaries

Years Ended December 31, (in thousands except per share data)	2004	2003	2002
<b>REVENUES</b>			
<S>			
Customer Services	<b>&lt;C&gt;</b> \$750,884	<b>&lt;C&gt;</b> \$677,013	<b>&lt;C&gt;</b> \$665,425
<b>COSTS AND EXPENSES</b>			
Cost of Services Provided	395,334	362,422	361,318
Depreciation and Amortization	23,034	20,179	21,635
Sales, General and Administrative	258,893	236,514	238,180
(Gain)/Loss on Sale of Assets	(24,716)	(1,700)	762
Interest Income	(373)	(432)	(196)
	652,172	616,983	621,699
<b>INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>98,712</b>	<b>60,030</b>	<b>43,726</b>
<b>PROVISION FOR INCOME TAXES</b>			
Current	27,375	13,864	13,680
Deferred	13,078	10,405	2,936
	40,453	24,269	16,616
<b>INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>58,259</b>	<b>35,761</b>	<b>27,110</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES OF \$4,017</b>	<b>(6,204)</b>	<b>--</b>	<b>--</b>
<b>NET INCOME</b>	<b>\$ 52,055</b>	<b>\$ 35,761</b>	<b>\$ 27,110</b>
<b>INCOME PER SHARE--BASIC</b>			
Income Before Cumulative Effect of Change in Accounting Principle	0.85	0.53	0.40
Cumulative Effect of Change in Accounting Principle	(0.09)	--	--
Net Income Per Share Basic	\$ 0.76	\$ 0.53	\$ 0.40
<b>INCOME PER SHARE--DILUTED</b>			
Income Before Cumulative Effect of Change in Accounting Principle	0.83	0.51	0.40
Cumulative Effect of Change in Accounting Principle	(0.09)	--	--
Net Income Per Share Diluted	\$ 0.74	\$ 0.51	\$ 0.40
Weighted Average Shares Outstanding--Basic	68,321	67,604	67,532
Weighted Average Shares Outstanding--Diluted	70,167	69,309	68,114

<TABLE>  
<CAPTION>

	2004	2003	2002
<b>&lt;S&gt;</b>			
<b>DIVIDENDS PAID PER SHARE</b>	<b>&lt;C&gt;</b> \$ 0.16	<b>&lt;C&gt;</b> \$ 0.13	<b>&lt;C&gt;</b> \$ 0.09
<b>PRO FORMA AMOUNTS ASSUMING THE NEW ACCOUNTING METHOD IS APPLIED RETROACTIVELY</b>			
NET INCOME	\$ 58,259	\$ 38,019	\$ * *
INCOME PER SHARE BASIC	\$ 0.85	\$ 0.56	\$ * *
INCOME PER SHARE DILUTED	\$ 0.83	\$ 0.55	\$ * *

&lt;FN&gt;

\* The pro forma amounts for periods prior to 2003 are not determinable as the newly adopted accounting method requires discrete information on claims outstanding and certain other post-contract liabilities that is not available.

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

&lt;/FN&gt;



171	171								
Other		361	361			2,022			
(13)	2,370								
<hr/>									
Balance at December 31, 2003	68,356	\$68,356	(621)	\$ (621)	\$ 4,408	\$ --	\$ (314)	\$ (107)	\$
67,052	\$138,774								

</TABLE>

35									
(in thousands)		Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Comprehensive Income	Unearned Compensation		
Retained Earnings	Total	Shares	Amount	Shares	Amount	Income (Loss)	Income (Loss)	Compensation	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income									
52,055	52,055								52,055
Other Comprehensive Income,									
Net of Tax Minimum Pension Liability Adjustment									(18,355)
(18,355)									
Foreign Currency Translation Adjustments(1)									2,408
2,408									
NSO Stock Options									131
131									
Unrealized Gain on Investments									64
64									
Other Comprehensive Income/(Loss)									(15,752)
Comprehensive Income									\$ 36,303
Cash Dividends									
(10,924) (10,924)									
Common Stock Purchased									
(937)									
Issuance of 401(k) Company Match									
2,135									
Three-for-Two Stock Split - 2005	234	234	22	22					
(256) --									
Unearned Compensation	152	152							3,701
485									
Other	318	318	(2)	(2)					1,397
1,713									
-----									
Balance at December 31, 2004	69,060	\$69,060	(556)	\$ (556)	\$10,659	\$ --	\$ (16,066)		
\$ (3,475) \$107,927 \$167,549									

<FN>

(1) Includes translation adjustment (net of tax) of \$1,683,000 relating to non-current assets as of December 31, 2003.

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

</FN>

</TABLE>

36

Years Ended December 31, (in thousands)	2004	2003	2002
<hr/>			
OPERATING ACTIVITIES			
<S>	<C>	<C>	<C>
Net Income	\$ 52,055	\$ 35,761	\$ 27,110
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Change in Accounting Principle, Net	6,204	--	--

Depreciation and Amortization	23,034	20,179	21,635
Provision for Deferred Income Taxes	13,078	10,405	3,643
Gain on Sale of Assets	(24,716)	(1,700)	--
Other, Net	1,938	654	955
(Increase) Decrease in Assets:			
Trade Receivables	(6,088)	339	(115)
Materials and Supplies	2,645	878	1,244
Other Current Assets	482	2,056	945
Other Non-Current Assets	(304)	(199)	(44)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	14,959	9,776	(6,645)
Unearned Revenue	5,582	2,959	15,579
Accrued Insurance	(3,703)	(2,889)	(663)
Accrual for Termite Contracts	(5,046)	(2,573)	(4,429)
Long-Term Accrued Liabilities	(8,193)	(15,327)	(5,521)
Net Cash Provided by Operating Activities	71,927	60,319	53,694
INVESTING ACTIVITIES			
Purchases of Equipment and Property	(14,204)	(10,597)	(10,367)
Acquisitions/Dispositions of Companies, Net	(98,090)	(1,543)	(1,788)
Sales/(Purchases) of Marketable Securities, Net	21,866	(21,866)	--
Proceeds From Sales of Assets	25,726	1,700	--
Net Cash Used in Investing Activities	(64,702)	(32,306)	(12,155)
FINANCING ACTIVITIES			
Dividends Paid	(10,924)	(9,010)	(6,004)
Common Stock Purchased	(937)	--	(6,166)
Payments on Capital Leases	--	--	(256)
Other	(575)	1,704	542
Net Cash Used in Financing Activities	(12,436)	(7,306)	(11,884)
Effect of Exchange Rate Changes on Cash	2,408	518	10
Net Increase/(Decrease) in Cash and Short-Term Investments	(2,803)	21,225	29,665
Cash and Short-Term Investments at Beginning of Year	59,540	38,315	8,650
Cash and Short-Term Investments at End of Year	\$ 56,737	\$ 59,540	\$ 38,315

&lt;/TABLE&gt;

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<TABLE>  
<CAPTION>

2004 2003 2002

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--  
Supplemental Disclosure of Cash Flow Information

<S>	<C>	<C>	<C>
Cash Paid for Interest	\$ 257	\$ 349	\$ 436
Cash Paid for Income Taxes	\$ 29,011	\$ 20,213	\$ 10,893

&lt;/TABLE&gt;

## Supplemental Disclosures of Non-Cash Items

Pension--Non-cash (increases) decreases in the minimum pension liability which were (charged) credited to other comprehensive income (loss) were \$(32.1) million, \$26.1 million and \$(19.9) million in 2004, 2003 and 2002, respectively.

Significant Acquisition-- The Company purchased all of the assets and assumed certain liabilities of Western Pest Services ("Western"). The fair values of Western's assets and liabilities at the date of acquisition are presented below:

Real Estate	\$ 11,170
Customer Contracts	50,500
Trade Name	3,900
Patents	130
Non Compete Agreement	400
Goodwill	35,706
	-----
	101,806
Net Liabilities Assumed	8,357
	-----
Net Purchase Price	\$ 110,163
	=====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
Years ended December 31, 2004, 2003, and 2002, Rollins, Inc. and Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description--Rollins, Inc. (the "Company") is a national service company with headquarters located in Atlanta, Georgia, providing pest and termite control services to both residential and commercial customers.

Orkin, Inc. ("Orkin"), a wholly owned subsidiary of the Company founded in 1901, is one of the world's largest pest and termite control companies. It provides customized services from over 400 locations to approximately 1.6 million customers. Orkin serves customers in the United States, Canada, and Mexico, providing essential pest control services and protection against termite damage, rodents and insects to homes and businesses, including hotels, food service establishments, food manufacturers, retailers and transportation companies. Orkin operates under the Orkin(R) and PCO Services, Inc.(R) trademarks and the AcuridSM service mark.

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.

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.

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Principles of Consolidation--The Company's policy is to consolidate all subsidiaries, investees or other entities where it has voting control, is subject to a majority of the risk of loss or is entitled to receive a majority of residual returns. 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.

The consolidated financial statements include the accounts of the Company and subsidiaries owned by the Company. All material intercompany accounts and transactions have been eliminated.

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 of America 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.

Revenues--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.

Prior to 2004, traditional termite treatments were recognized as revenue at the renewal date and an accrual was established for estimated costs of reapplications and repairs to be incurred. Under the newly adopted accounting method, the revenue received is deferred and recognized on a straight-line basis over the remaining contract term; and, the cost of re-inspections, reapplications and repairs and associated labor and chemicals are expensed as incurred. For outstanding claims, an estimate is made of the costs to be incurred (including legal costs) based upon current factors and historical information. The

performance of reinspections tends to be close to the contract renewal date and, while reapplications and repairs involve an insubstantial number of the contracts, these costs are incurred over the contract term. The newly adopted accounting principle eliminates the need to obtain actuarial estimates of the claim costs to be incurred and management's estimates of reapplication costs. Also, management believes the newly adopted accounting method more closely conforms to the current pattern under which revenues are earned and expenses are incurred, and conforms the accounting methodology of Orkin and its recently acquired subsidiary, Western Pest Services. The costs of providing termite services upon renewal are compared to the expected revenue to be received and a provision is made for any expected losses.

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 franchises are recognized at the time of sale and when collection is reasonably assured.

**Allowance for Doubtful Accounts**--The Company maintains an allowance for doubtful accounts based on the expected collectibility of accounts receivable.

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**Advertising**--Advertising expenses are charged to expense during the year in which they are incurred. The total advertising costs were approximately \$33.4 million, \$31.9 million and \$30.0 million in 2004, 2003 and 2002, respectively.

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

**Marketable Securities**--The Company maintains investments held with 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. 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. The Company had no marketable securities as of December 31, 2004.

**Materials and Supplies**--Materials and supplies are recorded at the lower of cost (first-in, first-out basis) or market.

**Income Taxes**--The Company provides for income taxes based on Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns.

**Equipment and Property**--Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are provided principally on a straight-line basis over the estimated useful lives of the related assets. Annual provisions for depreciation of \$12.1 million in 2004, \$13.3 million in 2003 and \$14.9 million in 2002, have been reflected in the Consolidated Statements of Income in the line item entitled Depreciation and Amortization. These annual provisions for depreciation are computed using the following asset lives: buildings, ten to forty years; and furniture, fixtures, and operating equipment, three to ten years. Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are expensed as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation and amortization are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income.

**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 practice 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.

**Accrual for Termite Contracts--** The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termiticide 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 precisely 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 and baiting program, more effective termiticides and expanded training.

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**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.

**Treasury Shares--**The Company records treasury stock repurchases at par value and records the difference between cost and par value as a reduction of additional paid-in-capital. During 2004 57,000 shares were repurchased for \$937,000. No shares were repurchased in 2003.

**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. Basic and diluted EPS for all years has been restated for the stock split effective March 10, 2005 and March of 2003. A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:

	(in thousands except per share data and per share amounts)	2004	2003	2002
<S>		<C>	<C>	<C>
Basic and diluted earnings available to stockholders (numerator):	\$52,055	\$ 35,761	\$ 27,110	
Shares (denominator):				
Weighted-average shares outstanding - Basic	68,321	67,604	67,532	
Effect of Dilutive securities:				
Employee Stock Options	1,846	1,705	582	
Weighted-Average Shares - Diluted	70,167	69,309	68,114	
Per share amounts:				
Basic income per common share	\$ 0.76	\$ 0.53	\$ 0.40	
Diluted income per common share	\$ 0.74	\$ 0.51	\$ 0.40	

</TABLE>

**Translation of Foreign Currencies--**Assets and liabilities reported in functional currencies other than U.S. dollars are translated into U.S. dollars at the year end rate of exchange. Revenues and expenses are translated at the weighted-average exchange rates for the year. The resulting translation adjustments are charged or credited to other comprehensive income. Gains or losses from foreign currency transactions, such as those resulting from the settlement of receivables or payables denominated in foreign currency, are included in the earnings of the current period.

**Stock-Based Compensation--**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 under those plans 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>

	Years Ended December 31,		
(in thousands, except per share data)	2004	2003	2002
<S>	<>C>	<>C>	<>C>
Net income, as reported	\$52,055	\$35,761	\$27,110
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(801)	(1,240)	(1,853)
Pro forma net income	\$51,254	\$34,521	\$25,257
Income per share:			
Basic--as reported	\$ 0.76	\$ 0.53	\$ 0.40
Basic--pro forma	\$ 0.75	\$ 0.51	\$ 0.37
Diluted--as reported	\$ 0.74	\$ 0.51	\$ 0.40
Diluted--pro forma	\$ 0.73	\$ 0.50	\$ 0.37

&lt;FN&gt;

The per share weighted-average fair value of stock options granted during 2003 and 2002 was \$2.70 and \$1.69, respectively, on the date of grant, using the Black-Scholes option-pricing model with the following weighted-average assumptions:

</FN>  
</TABLE>  
<TABLE>  
<CAPTION>

	2004	2003	2002
<S>	<>C>	<>C>	<>C>
Risk-Free Interest Rate	*	3.96%	
3.98%			
Expected Life, in Years	*	Range from 4 to 8	Range from 4 to 8
Expected Volatility	*	10.70%	
12.50%			
Expected Dividend Yield	*	1.07%	
1.04%			

&lt;FN&gt;

\* The Company did not grant any stock options during 2004, therefore no Black-Scholes calculation was necessary.

</FN>  
</TABLE>

Comprehensive Income (Loss)--Other Comprehensive Income (Loss) results from foreign currency translations, minimum pension liability adjustments, Nonqualified Stock Options (NSO) and unrealized loss on marketable securities.

New Accounting Standards-- In November 2002, the Emerging Issues Task Force issued EITF 00-21, Revenue Arrangements with Multiple Deliverables, which is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted EITF 00-21 in the third quarter of 2003. This EITF addresses how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. The Company's termite baiting service involves multiple deliverables, consisting of an initial directed liquid termiticide treatment, installation of termite monitoring stations, and subsequent periodic monitoring inspections. The portion of the termite baiting service sales price applicable to subsequent periodic monitoring inspections, which is determined based on fair value, is deferred and recognized over the first year of each contract. The portion of the sales price applicable to the termiticide treatment and installation of the monitoring services is determined under the residual method (the total sales price less the fair value of the monitoring inspections). Revenues from the termiticide treatment and installation of the termite monitoring stations are recognized upon performance of the service and installation. The adoption of this EITF did not have a significant effect on the Company's financial position, results of operations or liquidity.

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 are effective for all variable interest entities created or acquired after January 31, 2003. In December 2003, the Financial Accounting Standards Boards issued a revision to FIN 46 referred to as Interpretation No. 46 (R). Among other provisions, the revision extends the adoption date of FIN 46 (R) to the first quarter of 2004 for variable interest entities created prior to February 1,

2003. The adoption of FIN 46 and FIN 46 (R) did not have a significant effect on the Company's financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the third quarter of fiscal 2005, beginning July 1, 2005. Under SFAS 123R, Rollins must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive option, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. Rollins is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will not have a material impact on Rollins' consolidated results of operations and earnings per share. Rollins has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

**Franchising Program--**Franchising Program--Orkin had 49 franchises as of December 31, 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 December 31, 2004 and 2003, notes receivable from franchises aggregated \$5.2 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, which amounted to approximately \$1.7 million in 2004, \$2.2 million in 2003, and \$1.1 million in 2002, and are included as revenues in the accompanying Consolidated Statements of Income. 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 \$1.6 million and \$1.4 million at December 31, 2004 and 2003, respectively. Royalties from franchises are accrued and recognized as revenues as earned on a monthly basis. Revenues from royalties were \$1.7 million in 2004, \$1.4 million in 2003, and \$1.2 million in 2002. The Company's maximum exposure to loss relating to the franchises aggregated \$3.6 million and \$2.5 million in December 31, 2004 and 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.

**Reclassifications--**Certain amounts for previous years have been reclassified to conform with the 2004 consolidated financial statement presentation.

**Three-for-Two Stock Split--**The Board of Directors, at its quarterly meeting on January 25, 2004, authorized a three-for-two stock split by the issuance on March 10, 2005 of one additional common share for each two common shares held of record at February 10, 2005. Accordingly, the par value for additional shares issued will be adjusted to common stock, and fractional shares resulting from the stock split will be settled in cash. All share and per share data appearing in the consolidated financial statements and related notes have been retroactively adjusted for this split.

The Board of Directors, at its quarterly meeting on January 28, 2003, authorized a three-for-two stock split by the issuance on March 10, 2003 of one additional common share for each two common shares held of record at February 10, 2003. All share and per share data for 2002 appearing in the consolidated financial statements and related notes have been retroactively adjusted for this stock

split.

## 2. TRADE RECEIVABLES

Trade receivables, net, at December 31, 2004, totaling \$55.2 million and at December 31, 2003, totaling \$48.5 million, are net of allowances for doubtful accounts of \$5.1 million and \$4.6 million, respectively. Trade receivables include installment receivable amounts, which are due subsequent to one year from the balance sheet dates. These amounts were approximately \$7.1 million and \$6.2 million at the end of 2004 and 2003, respectively. Trade receivables also include notes receivable due from franchises which amounted to \$5.2 million and \$3.9 million as of December 31, 2004 and 2003, respectively. The carrying amount of notes receivable approximates fair value as the interest rates approximate market rates for these types of contracts. The Allowance For Doubtful Accounts is principally calculated based on the application of estimated loss percentages to delinquency aging totals, based on contractual terms, for the various categories of receivables. Bad debt write-offs occur according to company policies that are specific to pest control, commercial and termite accounts. At any given time, the Company may have immaterial amounts due from related parties, which are invoiced and settled on a regular basis. Receivables due from related parties were approximately \$46,000 as of December 31, 2004, and approximately \$55,000 as of December 31, 2003.

## 3. EQUIPMENT AND PROPERTY

Equipment and property are presented at cost less accumulated depreciation and are detailed as follows:

(in thousands)	2004	2003
Buildings	\$17,479	\$13,194
Operating Equipment	41,425	39,273
Furniture and Fixtures	6,027	5,845
Computer Equipment and Systems	29,543	30,417
	-----	-----
Less--Accumulated Depreciation	94,474	88,729
	60,767	57,747
	-----	-----
Land	33,707	30,982
	15,456	4,854
	-----	-----
	\$49,163	\$35,836
	-----	-----

## 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangibles consist primarily of goodwill and customer contracts and also include trademarks and non-compete agreements, all related to businesses acquired. Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. The carrying amount of goodwill was \$121.5 million as of December 31, 2004 and \$72.5 million as of December 31, 2003. Goodwill arising from acquisitions prior to November 1970 has never been amortized for financial statement purposes, since, in the opinion of Management, there has been no decrease in the value of the acquired businesses. Prior to 2002, the values assigned to all intangible assets, including goodwill for acquisitions completed subsequent to November 1970 and prior to June 30, 2001, were amortized on a straight-line basis over the estimated useful lives of the assets, not exceeding 40 years.

On January 1, 2002, the Company adopted FASB Statement No. 142, Goodwill and Other Intangible Assets. As of January 1, 2002, amortization of goodwill and trademarks was terminated, and instead the assets are subject to periodic testing for impairment. The Company completed its annual impairment analyses as of September 30, 2004. Based upon the results of these analyses, the Company has concluded that no impairment of its goodwill or trademarks has occurred.

Customer contracts and non-compete agreements are amortized on a straight-line basis over the period of the agreements, as straight-line best approximates the ratio that current revenues bear to the total of current and anticipated revenues, based on the estimated lives of the assets. In accordance with Statement 142, the expected lives of customer contracts and non-compete agreements were reviewed, and it was determined that customer contracts should be amortized over a life of 8 to 12 1/2 years dependent upon customer type. The impact of this review in 2002 was an increase in amortization expense on customer contracts of \$2.0 million. The carrying amount and accumulated amortization for customer contracts and non-competes were as follows:

Customer contracts and Non-Competes	\$102,467	\$ 53,550
Less: accumulated amortization	(28,529)	(23,217)
	\$ 73,938	\$ 30,333

Total intangible amortization expense was approximately \$10.9 million in 2004, \$6.9 million in 2003 and \$6.7 million in 2002. Amortization of customer contracts and non-competes was approximately \$10.9 million in 2004, \$6.9 million in 2003 and \$6.7 million in 2002. Estimated amortization expense for each of the five succeeding fiscal years is as follows:

December 31,
2005 \$12,346
2006 11,963
2007 11,029
2008 10,413
2009 9,467

##### 5. INCOME TAXES

The Company's income tax provision consisted of the following:

(in thousands)	2004	2003	2002
<b>Current:</b>			
Federal	\$22,704	\$10,238	\$ 9,969
State	3,109	2,188	2,644
Foreign	1,562	1,438	1,067
<b>Deferred:</b>			
Federal	10,459	9,955	2,707
State	3,026	607	232
Foreign	(407)	(157)	(3)
<b>Total income tax provision</b>	<b>\$40,453</b>	<b>\$24,269</b>	<b>\$16,616</b>

The primary factors causing income tax expense to be different than the federal statutory rate for 2004, 2003 and 2002 are as follows:

(in thousands)	2004	2003	2002
Income taxes at statutory rate	\$34,548	\$21,010	\$15,304
State income tax expense (net of Federal benefit)	3,986	1,817	1,719
Foreign tax expense	726	1,200	874
Other	1,193	242	(1,281)
<b>Total income tax provision</b>	<b>\$40,453</b>	<b>\$24,269</b>	<b>\$16,616</b>

The Provision for Income Taxes resulted in an effective tax rate of 41.0% on Income Before Income Taxes for the year ended December 31, 2004. For 2003 the effective tax rate was 40.4% and for 2002 the effective tax rate was 38.0%. The effective income tax rate differs from the annual federal statutory tax rate primarily because of state and foreign income taxes. During 2004, 2003 and 2002, the Company paid income taxes of \$29.0 million, \$20.2 million and \$10.9 million, respectively, net of refunds.

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2004 and 2003 are as follows:

(in thousands)	2004	2003
<b>Deferred tax assets:</b>		
Termite Accrual	\$ 8,867	\$ 15,977
Insurance and Contingencies	18,096	20,471
Unearned Revenue	11,181	--
Compensation and Benefits	3,149	2,772
Net Pension Liability	4,158	--
State Operating Loss Carryforwards	5,761	7,784
Other	3,300	3,958

Total Deferred Tax Assets	54,512	50,962
<b>Deferred tax liabilities:</b>		
Prepaid Pension	--	(9,611)
Depreciation and Amortization	(11,219)	(2,206)
Foreign Currency Translation	(1,407)	--
Other	(203)	--
Total Deferred Tax Liabilities	(12,829)	(11,817)
Net deferred tax asset	\$ 41,683	\$ 39,145

As of December 31, 2004, the Company has net operating loss carryforwards for state income tax purposes of approximately \$153 million, which will be available to offset future state taxable income. If not used, these carryforwards will expire between 2008 and 2023. Due to the current and expected usage of these loss carryforwards, management believes that it is more likely than not that these net operating loss carryforwards will be utilized before their expiration.

#### 6. ACCRUAL FOR TERMITE CONTRACTS

The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include termite 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 termiteicides, and expanding training methods and techniques.

A reconciliation of changes in the accrual for termite contracts for the years ended December 31, 2004, 2003 and 2002 is as follows:

(in thousands)	2004	2003	2002
Beginning Balance	\$ 43,873	\$ 46,446	\$ 50,875
Effect of Change in Accounting Principle	(15,309)	--	--
Western Pest Services Opening Entry	372	--	--
Current Year Provision	13,433	21,600	21,050
Settlements, Claims and Expenditures	(17,058)	(24,173)	(25,479)
Ending Balance	\$ 25,311	\$ 43,873	\$ 46,446

#### 7. COMMITMENTS AND CONTINGENCIES

The Company has several operating leases expiring at various dates through 2017. The minimum lease payments under non-cancelable operating leases with terms in excess of one year, in effect at December 31, 2004, are summarized as follows:

(in thousands)	
2005	\$20,244
2006	15,225
2007	9,130
2008	5,602
2009	4,077
Thereafter	12,105
	\$66,383

Total rental expense under operating leases charged to operations was \$30.3 million, \$28.0 million, and \$27.4 million for the years ended December 31, 2004, 2003 and 2002, respectively.

The Company maintains credit facilities with two banks that allow it to borrow up to \$70.0 million on an unsecured basis at the bank's prime rate of interest or the indexed London Interbank Offered Rate (LIBOR) under which \$34.5 million in Letters of Credit were outstanding at December 31, 2004. No borrowings were outstanding under this credit facility as of December 31, 2004, 2003 or 2002.

Orkin, one of the Company's subsidiaries, is 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. In December the Court issued a new ruling certifying the class action. Orkin intends to appeal this new ruling to the Florida Second District Court of Appeals. 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.

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. Some 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. An arbitration has also been filed in Jacksonville, Florida, by Cynthia Garrett against Orkin (Cynthia Garrett v. Orkin, Inc.) in which the plaintiff is seeking certification of a class. The Company believes these matters to be without merit and intends to vigorously contest certification and defend itself through trial or arbitration, 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.

#### 8. EMPLOYEE BENEFIT AND STOCK COMPENSATION PLANS

The Company maintains a noncontributory tax-qualified defined benefit retirement plan (the "Plan") covering employees meeting certain age and service requirements. The Plan provides benefits based on the average compensation for the highest five years during the last ten years of credited service (as defined) in which compensation was received, and the average anticipated Social Security covered earnings. The Company funds the Plan with at least the minimum amount required by ERISA. The Company made contributions of \$3.0 million to the

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Plan in 2004. Effective January 1, 2002, the Company adopted amendments to the Plan including a change to the benefit calculation and limiting plan participation to current participants. These amendments are reflected in benefit obligations below.

The funded status of the Plan and the net amount recognized in the statement of financial position are summarized as follows as of December 31:

(in thousands)	2004	2003
<b>CHANGE IN BENEFIT OBLIGATION</b>		
Obligation at Beginning of Year	\$127,832	\$109,294
Service Cost	5,186	4,682
Interest Cost	8,298	7,800
Actuarial Loss	12,056	10,205
Benefits Paid	(4,451)	(4,149)
Obligation at End of Year	148,921	127,832
<b>CHANGE IN PLAN ASSETS</b>		
Fair Value of Plan Assets at Beginning of Year	115,762	88,713
Actual Return on Plan Assets	9,400	16,398
Employer Contribution	3,000	14,800
Benefits Paid	(4,450)	(4,149)
Fair Value of Plan Assets at End of Year	123,712	115,762
Funded Status	(25,209)	(12,070)
Unrecognized Net Actuarial Loss	51,364	42,511
Unrecognized Prior Service Benefit	(4,610)	(5,477)
Adjustment Required to Recognize Minimum Liability	--	--
Net Amount Recognized	\$ 21,545	\$ 24,964

Amounts Recognized in the Statements of Financial Condition Consist of:

(in thousands)	2004	2003
Prepaid cost	\$ 21,545	\$ 24,964
Minimum pension liability	(32,124)	--

Net Prepaid (Accrued) Amount Recognized	\$ (10,579)	\$ 24,964
---	-------------	-----------

The accumulated benefit obligation for the defined benefit pension plan was \$134,291 and \$115,653 at December 31, 2004 and 2003, respectively. Rollins, Inc. uses a December 31 measurement date for its Qualified Plan.

(Increases) decreases in the minimum pension liability which were (charged) credited to other comprehensive income (loss) were \$(32.1) million, \$26.1 million and \$(19.9) million in 2004, 2003 and 2002, respectively.

The following weighted-average assumptions as of December 31 were used to determine the projected benefit obligation and net benefit cost:

	2004	2003
<hr/>		
PROJECTED BENEFIT OBLIGATION		
Discount Rate	5.750%	6.250%
Rate of Compensation Increase	3.500%	3.500%
<hr/>		
NET BENEFIT COST		
Discount Rate	6.250%	6.875%
Expected Return on Plan Assets	8.000%	8.000%
Rate of Compensation Increase	3.500%	3.875%
<hr/>		

The return on plan assets reflects the weighted-average of the expected long-term rates of return for the broad categories of investments held in the plan. The expected long-term rate of return is adjusted when there are fundamental changes in the expected returns on the plan investments.

The components of net periodic benefit cost for the past three years are summarized as follows:

(in thousands)	48	2004	2003	2002
<hr/>				
Service Cost		\$ 5,186	\$ 4,682	\$ 3,825
Interest Cost		8,298	7,800	7,246
Expected Return on Plan Assets		(9,576)	(8,492)	(7,553)
Net Amortizations:				
Amortization of Net Loss		3,379	2,023	838
Amortization of Net Prior Service Benefit		(868)	(868)	(868)
Net Periodic Benefit Cost		\$6,419	\$5,145	\$3,488
<hr/>				

At December 31, 2004 and 2003, the Plan's assets were comprised of listed common stocks and U.S. government and corporate securities. Included in the assets of the Plan were shares of Rollins, Inc. Common Stock with a market value of \$12.0 million and \$10.2 million at December 31, 2004 and 2003, respectively.

The Plan's weighted average asset allocation at December 31, 2004 and 2003 by asset category, along with the target allocation for 2005, are as follows:

Asset Category	Target Allocations for 2005	Percentage of Plan Assets as of December 31, 2004		Percentage of Plan Assets as of December 31, 2003
		<C>	<C>	
<S>	<C>	<C>	<C>	<C>
Equity Securities--Rollins stock	10.0%	9.7%	8.8%	
Equity Securities--all other	43.8%	46.1%	48.5%	
Debt Securities--core fixed income	24.6%	26.7%	37.8%	
Tactical-Fund of Equity & Debt Securities	4.9%	2.4%	0%	
Real Estate	4.9%	4.6%	0%	
Other	11.8%	10.5%	4.9%	
Total	100.0%	100.0%	100.0%	
<hr/>				

Our investment strategy for our pension plan is to maximize the long-term rate of return on plan assets within an acceptable level of risk in order to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class, which is rebalanced as required. The plan utilizes a number of investment approaches, including individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation. The Company expects to contribute \$4.0 million to \$6.0 million to the pension plan in 2005. The estimated future benefit payments over the next ten years are as follows:

(in thousands)

2005	\$ 4,556
2006	4,884
2007	5,389
2008	5,831
2009	6,448
Thereafter	45,176
	-----
	\$72,284
	-----

The Company sponsors a deferred compensation 401(k) plan that is available to substantially all employees with six months of service. The plan provides for a matching contribution (made in the form of Common Stock of the Company) of thirty cents (\$.30) for each one dollar (\$1.00) of a participant's contributions to the plan that do not exceed 6 percent of his or her annual compensation (which includes commissions, overtime and bonuses). The Company match percentage remained the same in 2004. The charges to expense for the Company match was approximately \$2.7 million in 2004 and approximately \$2.3 million in both 2003 and 2002. At December 31, 2004,

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2003 and 2002 approximately, 28.4%, 26.6% and 22.9%, respectively of the plan assets consisted of Rollins, Inc. Common Stock. Total administrative fees for the plan were approximately \$248,000 in 2004, \$265,000 in 2003 and \$278,500 in 2002.

The Company acquired the assets and related liabilities associated with a Supplemental Executive Retirement Plan ("SERP") for one retired employee of Western Pest Services. Under this SERP agreement, the individual will be paid \$101,000 per annum through 2022.

The Company has one Employee Stock Incentive Plan, adopted in April 1998 (the "1998 Plan") as a supplement to the 1994 Plan, which expired in 2004. An aggregate of 3.38 million shares of Common Stock may be granted under various stock incentive programs pursuant to this plan, at a price not less than the market value of the underlying stock on the date of grant. Options may be issued under the 1998 Plan through April 2008. The majority of options expire ten years from the date of grant, if not exercised, and vest 20% each year over 5 years.

Options are also outstanding under prior Employee Stock Incentive Plans (the "1984 Plan" and the "1994 Plan"). Under these plans, 6.08 million shares of Common Stock were subject to options granted during the ten-year periods ended October 1994 and January 2004, respectively. The options under all plans were granted at the fair market value of the shares on the date of grant and expire ten years from the date of grant, if not exercised. No additional options will be granted under the 1984 Plan and 1994 Plan.

Stock option and restricted shares transactions during the last three years for the 1984, 1994 and 1998 plans are summarized as follows:

	2004	2003	2002
-----			
Number of Restricted Shares Under Stock Options:			
Outstanding at Beginning of Year	4,756,010	4,991,825	3,697,875
Granted	228,000	675,000	1,752,750
Exercised	(749,360)	(480,708)	(101,500)
Cancelled	(164,515)	(430,107)	(357,300)
Expired	(46,900)	--	--
Outstanding at End of Year	4,023,235	4,756,010	4,991,825
Exercisable at End of Year	2,303,184	2,391,933	2,082,378
Weighted-Average Exercise Price:			
Granted	\$ 0.00(1)	\$12.43	\$8.57
Exercised	8.27	7.61	6.97
Cancelled	10.21	8.71	8.10
Expired	12.61	--	--
Outstanding at End of Year	9.39	8.87	8.29
Exercisable at End of Year	8.42	8.36	8.29

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Information with respect to options and restricted shares outstanding at December 31, 2004 is as follows:

Average Remaining Contractual Life	Number
---------------------------------------	--------

Exercise Price	Number Outstanding	(In Years)	Exercisable
\$10.78	5,400	0.08	2,700
9.28	20,700	1.08	10,800
8.55	97,930	2.08	70,255
8.75	741,759	3.33	741,759
7.25	480,383	4.08	480,383
6.55	144,280	5.08	93,655
8.11	246,633	6.08	131,882
8.51	1,347,090	7.08	605,490
9.36	117,000	7.08	70,200
12.43	595,560	8.08	96,060
0.00(1)	154,500	9.33	--
0.00(1)	72,000	9.33	--
	4,023,235		2,303,184

(1) During 2004 the Company granted 156,000 restricted shares of Company common stock, which closed at \$17.33 per share on the date of the grant, and 72,000 restricted shares of Company common stock, which closed at \$15.95 per share on the date of the grant, to employees. The shares vest over six years, 20% a year, with the first installment vesting on the second anniversary of the grant date.

Restricted Stock -- Rollins has granted employees two forms of restricted stock; performance restricted and time lapse restricted. The performance restricted shares are granted, but not earned and issued, until certain performance criteria are met. The performance criteria are predetermined market prices of Rollins' common stock. Time lapse restricted shares vest after certain stipulated number of years from the grant date, depending on the terms of the issue. The Company has issued time lapse restricted shares that vest over ten years in prior years and in 2004 issued time lapse restricted shares that vest in 20 percent increments starting with the second anniversary of the grant, over six years from the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the granted shares. Compensation cost on restricted shares is recorded at the fair market value on the date of issuance and amortized ratably over the respective vesting periods. The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the plans have lapsed. During the year ended December 31, 2004, the Company recognized \$440,752 in compensation costs related to restricted stock.

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### 9. ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)

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

	Minimum Pension Liability	Foreign Currency Translation	Other Unrealized Gain/(Loss)	Total
Balance at December 31, 2001	\$ (4,047)	\$ (775)	\$ --	\$ (4,822)
Change during 2002:				
Before-tax amount	(19,867)	14	--	(19,853)
Tax benefit (expense)	7,732	(4)	--	7,728
	(12,135)	10	--	(12,125)
Balance at December 31, 2002	(16,182)	(765)	--	(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	--	(247)	(67)	(314)
Change during 2004:				
Before-tax amount	(32,124)	3,967	109	(28,048)
Tax benefit (expense)	13,769	(1,559)	86	12,296
	(18,355)	2,408	195	(15,752)
Balance at December 31, 2004	\$ (18,355)	\$ 2,161	\$ 128	\$ (16,066)

### 10. 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 \$0.11 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 would have 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. In addition, the Company on October 22, 2004 purchased real estate located at 2158 Piedmont Road, N.E., Atlanta, Georgia 30324, adjacent to the Company's headquarters, from LOR, Inc. for \$4.6 million. 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 sold an additional piece of real estate in Sussex County, Delaware to LOR, Inc. or an entity wholly owned by LOR, Inc. The transaction took place on December 29, 2004 and resulted in a \$6.3 million, net of costs, gain after taxes.

## 11. UNAUDITED QUARTERLY DATA

All earnings per share data for the quarters prior to the second quarter of 2003 have been restated for the three-for-two stock split on March 10, 2003 and all earnings per share data for the quarters have been restated for the three-for-two stock split effective March 10, 2005.

(in thousands except per share data)	First	Second	Third	Fourth
2004 (a)				
<S>	<C>	<C>	<C>	<C>
Revenues	\$160,416	\$202,725	\$203,925	\$183,818
Gross Profit (Revenues--Cost of Services Provided)	75,281	97,309	98,890	84,070
Cumulative Effect of Change in Accounting Principle	(6,204)	---	---	---
Net Income	3,662	20,891	13,633	13,869
Income per Share:				
Before cumulative effect of change in accounting principle:				
Income per Share--Basic	0.15	0.30	0.20	0.20
Income per Share--Diluted	0.14	0.30	0.19	0.20
After cumulative effect of change in accounting principle:				
Income per Share--Basic	0.06	0.30	0.20	0.20
Income per Share--Diluted	0.05	0.30	0.19	0.20
2003				
Revenues	\$155,122	\$185,105	\$178,262	\$158,524
Gross Profit (Revenues--Cost of Services Provided)	71,043	89,515	82,196	71,837
Net Income	7,274	13,862	9,800	4,825
Income per Share:				
Income per Share--Basic	0.11	0.20	0.15	0.07
Income per Share--Diluted	0.11	0.20	0.14	0.06

<FN> (a) The quarterly amounts reflect the newly adopted accounting method beginning on January 1, 2004.

&lt;/FN&gt;

&lt;/TABLE&gt;

## 12. STOCK SPLIT

The Board of Directors, at its quarterly meeting on January 25, 2005, authorized a three-for-two stock split by the issuance on March 10, 2005 of one additional common share for each two common shares held of record on February 10, 2005. Accordingly, the par value for additional shares issued will be

adjusted to common stock, and fractional shares resulting from the stock split will be settled in cash. All share and per share data appearing throughout this Form 10-K have been retroactively adjusted for this split.

Also, at the same meeting, the Board of Directors authorized a 25% increase in the Company's quarterly dividend. The increased regular quarterly dividend of \$0.05 per share, as adjusted for the stock split, will be payable March 10, 2005 to stockholders of record at the close of business February 10, 2005. The Company's new annual dividend rate is \$0.20 per share as adjusted for the stock split.

### 13. ACQUISITIONS

On April 30, 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Western Pest Services ("Western"). 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 business of providing pest control and termite 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 \$110.2 million, including approximately \$8.4 million of assumed liabilities. 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 and obligations under disclosed assigned contracts.

The Company engaged an independent valuation firm to determine the allocation of the Western purchase price. Such valuation resulted in the allocation of \$39.6 million to Goodwill and \$51.0 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. The total amount of goodwill recorded as a result of the acquisition is expected to be tax deductible over the appropriate periods.

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.

Significant Acquisition--The fair values of Western's assets and liabilities at the date of acquisition are presented below:

Real Estate	\$ 11,170
Customer Contracts	50,500
Trade Name	3,900
Patents	130
Non Compete Agreement	400
Goodwill	35,706
	-----
	101,806
Net Liabilities Assumed	8,357
	-----
Net Purchase Price	\$110,163
	=====

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.

	Three Months Ended December 31,	Twelve Months Ended December 31,		
	2004	2003	2004	2003
REVENUES				
Customer Services	\$183,818	\$175,223	\$776,872	\$749,555
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	 22,590	 6,104	 99,453	 52,718
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	  \$ 13,869	  \$ 2,455	  \$ 58,718	  \$ 31,355
INCOME PER SHARE - BASIC	  \$ 0.20	  \$ 0.04	  \$ 0.86	  \$ 0.46
INCOME PER SHARE - DILUTED	  \$ 0.20	  \$ 0.04	  \$ 0.84	  \$ 0.45
Weighted Average Shares Outstanding---Basic	68,516	67,695	68,321	67,604
Weighted Average Shares Outstanding---Diluted	70,392	69,470	70,167	69,309

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None

#### Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures--We have established disclosure controls and procedures to ensure, among other things, that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

Based on management's evaluation as of December 31, 2004, in which the principal executive officer and principal financial officer of the Company participated, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective, at the reasonable assurance level to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting--Management's Report on Internal Control Over Financial Reporting is contained on page 65.

Changes in Internal Controls-- There were no changes in our internal control over financial reporting during the fourth quarter of 2004 that materially affected or are reasonably likely to materially affect these controls. As of December 31, 2004, we did not identify any significant deficiency or material weaknesses in our internal controls, and therefore no corrective actions were taken.

Western Pest Services--We have identified several internal control deficiencies at Western Pest Control, which was acquired on April 30, 2004, and the Company has initiated a project to identify internal control deficiencies and implement changes. Most of these identified deficiencies center around IT controls and organizational issues that affect smaller companies, such as separation of duties, management reviews, and documentation of policies and procedures.

Item 9B. Other Information

None

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PART III

Item 10. Directors and Executive Officers of the Registrant.

Information concerning directors and executive officers is included in the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders, in the section titled "Election of Directors". This information is incorporated herein by reference. Information about executive officers is contained on page 19 of this document.

Audit Committee and Audit Committee Financial Expert

Information concerning the Audit Committee of the Company and the Audit Committee Financial Expert(s) is included in the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders, in the section titled "Corporate Governance and Board of Directors Compensation, Committees and Meetings." This information is incorporated herein by reference.

Code of Ethics

The Company has adopted a code of Business Conduct that applies to all employees. In addition, the Company has adopted a Supplemental Code of Business Conduct and Ethics for directors, the Principal Executive Officer and Principal Financial and Accounting Officer. Both of these documents are available on the Company's website at [www.rollins.com](http://www.rollins.com) and a copy is available by writing to Investor Relations at 2170 Piedmont Road, Atlanta Georgia 30324.

Section 16(a) Beneficial Ownership Reporting Compliance

Information regarding compliance with Section 16(a) of the Exchange Act is included under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders, which is incorporated herein by reference.

Item 11. Executive Compensation.

The information under the caption "Executive Compensation" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 26, 2005 is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information under the captions "Capital Stock", "Election of Directors" and "Equity Compensation Plan Information" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 26, 2005 is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information under the caption "Certain Relationships and Related Party Transactions" included in the Proxy Statement for the Annual Meeting of Stockholders to be held April 26, 2005 is incorporated herein by reference.

Item 14. Principal Auditor Fees and Services.

Information regarding principal auditor fees and services is set forth under "Principal Auditor Fees and Services" in the Company's Proxy Statement for its 2005 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules, and Reports on Form 8-K.

(a) Consolidated Financial Statements, Financial Statement Schedule and Exhibits.

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.
2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.
3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report. The following such exhibits are management contracts or compensatory plans or arrangements:
  - (10) (a) Rollins, Inc. 1994 Employee Stock Incentive Plan incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
  - (10) (b) Rollins, Inc. 1998 Employee Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.
  - (10) (c) Rollins, Inc. Form of Restricted Stock Agreement
  - (10) (d) Rollins, Inc. Form of Option Agreement
  - (10) (e) Rollins, Inc. Executive Compensation Summary
  - (10) (f) Written Description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan for Fiscal Year 2005.
  - (10) (g) Form A of Executive Bonus Plan
  - (10) (h) Form B of Executive Bonus Plan
  - (10) (i) Rollins, Inc. Non-Employee Directors Compensation

(b) Exhibits (inclusive of item 3 above):

- (2) (a) Asset Purchase Agreement by and among Orkin, 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. \*
- (3)(i) (A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, and Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, both of which are incorporated herein by reference to Exhibit (3)(i) as filed with the registrant's Form 10-K for the year ended December 31, 1997.  
(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987.
- (ii) Amended By-laws of Rollins, Inc. incorporated herein by reference to Exhibit (3) (iii) as filed with its Form 10-Q for the quarterly period ended March 31, 2004.
- (4) Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
- (10) (a) Rollins, Inc. 1994 Employee Stock Incentive Plan incorporated herein by reference to Exhibit (10)(b) as filed with its Form 10-K for the year ended December 31, 1999.
- (10) (b) Rollins, Inc. 1998 Employee Stock Incentive Plan incorporated herein by reference to Exhibit A of the March 24, 1998 Proxy Statement for the Annual Meeting of Stockholders held on April 28, 1998.

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- (10) (h) Form B of Executive Bonus Plan
- (10) (i) Rollins, Inc. Non-Employee Directors Compensation
- (10) (j) Purchase and Sale Agreement by and among Rollins Continental, Inc. et al. dated April 28, 2004 incorporated herein by reference to Exhibit (2) (ii) as filed with its Form 10-Q for the quarter ended June 30, 2004
- (10) (k) Purchase and Sale Agreement by and among Rollins Continental, Inc. et al. dated December 20, 2004
- (18) Letter of Preferability
- (21) Subsidiaries of Registrant.
- (23.1) Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm.
- (23.2) Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
- (24) Powers of Attorney for Directors.
- (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.

\*Confidential treatment, pursuant to 17 C.F.R. Sections 200.80 and 230.406, has been granted regarding certain portions of the indicated Exhibit, which portions have been filed separately with the Commission.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ GARY W. ROLLINS

-----

Gary W. Rollins  
Chief Executive Officer, President and Chief  
Operating Officer  
(Principal Executive Officer)

Date: March 11, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ GARY W. ROLLINS

-----  
Gary W. Rollins  
Chief Executive Officer, President  
and Chief Operating Officer  
(Principal Executive Officer)

By: /s/ HARRY J. CYNKUS

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

Date: March 11, 2005

Date: March 11, 2005

The Directors of Rollins, Inc. (listed below) executed a power of attorney appointing Gary W. Rollins their attorney-in-fact, empowering him to sign this report on their behalf.

R. Randall Rollins, Director  
 Wilton Looney, Director  
 Henry B. Tippie, Director  
 James B. Williams, Director  
 Bill J. Dismuke, Director

---

/s/ GARY W. ROLLINS

Gary W. Rollins  
 As Attorney-in-Fact & Director  
 March 11, 2005

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<TABLE>  
 <CAPTION>

ROLLINS, INC. AND SUBSIDIARIES  
 INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE  
 (Item 15)

Page Number From  
 This Form 10-K

---

--  
 (1) Consolidated Financial Statements

<S>	<C>	<C>
	Consolidated Statements of Financial Position as of December 31, 2004 and 2003	31
	Consolidated Statements of Income for each of the three years in the period ended December 31, 2004	33
	Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2004	35
	Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2004	37
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	Report of Ernst & Young LLP, Independent Registered Public Accounting Firm (2003-2002)	69

(2) Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts

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Schedules not listed above have been omitted as either not applicable, immaterial or disclosed in the Consolidated Financial Statements or notes thereto.

</TABLE>

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<TABLE>  
 <CAPTION>

ROLLINS, INC. AND SUBSIDIARIES  
 SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE YEARS ENDED DECEMBER 31, 2004, 2003, AND 2002  
 (in thousands of dollars)

at of Description Period	Additions				Balance End Deductions (2)
	Balance at Beginning	Charged to Costs and Expenses	Charged to Accounts (1)	-----	
	of Period	-----	-----	-----	
-----	-----	-----	-----	-----	-----

Year ended December 31, 2004	<C>	<C>	<C>	<C>
<S>				
<C>				
Allowance for doubtful accounts	\$4,616	\$5,552	\$829	\$5,889
\$5,108				
-----				
Year ended December 31, 2003				
Allowance for doubtful accounts	\$5,441	\$4,822	\$ --	\$5,647
\$4,616				
-----				
Year ended December 31, 2002				
Allowance for doubtful accounts	\$6,973	\$5,705	\$ --	\$7,237
\$5,441				
-----				

<FN>  
NOTES: (1) Amount represents the transfer in of reserves from the Superior and Western acquisitions.

(2) Deductions represent the write-off of uncollectible receivables, net of recoveries.

</FN>  
</TABLE>

ROLLINS, INC. AND SUBSIDIARIES  
INDEX TO EXHIBITS

Exhibit Number	Exhibit Description
-----	
(2) (a)	Asset Purchase Agreement by and among Orkin, 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. *
(3) (i)	(A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, and Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994, both of which are incorporated herein by reference to Exhibit (3)(i) as filed with the registrant's Form 10-K for the year ended December 31, 1997.  (B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987.
(ii)	Amended By-laws of Rollins, Inc. incorporated herein by reference to Exhibit (3) (iii) as filed with its Form 10-Q for the quarterly period ended March 31, 2004.
(4)	Form of Common Stock Certificate of Rollins, Inc. incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.
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- (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.

\*Confidential treatment, pursuant to 17 C.F.R. Sections 200.80 and 230.406, has been granted regarding certain portions of the indicated Exhibit, which portions have been filed separately with the Commission.

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Report of Independent Registered Public Accounting Firm on the Consolidated Financial Statements

The Board of Directors and Stockholders of Rollins, Inc.

We have audited the accompanying consolidated statement of financial position of Rollins, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rollins, Inc. and subsidiaries as of December 31, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedule II for the year ended December 31, 2004, listed in the Index at Item 15(a) is presented for purposes of additional analysis and is not a required part of the basic

financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

As described in Note 1, the Company changed its method of accounting for the revenues and costs associated with conventional termite renewal contracts in 2004.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Rollins, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 25, 2005 expressed an unqualified opinion.

/s/ Grant Thornton LLP

Atlanta, Georgia  
February 25, 2005

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

To the Stockholders of Rollins, Inc.:

The management of Rollins, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Rollins maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control system is augmented by written policies and procedures, an internal audit program and the selection and training of qualified personnel. This system includes policies that require adherence to ethical business standards and compliance with all applicable laws and regulations.

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 internal controls over financial reporting, as of December 31, 2004 based on criteria established in Internal Control--Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management's assessment is that Rollins, Inc. maintained effective internal control over financial reporting as of December 31, 2004.

In conducting Rollins, Inc.'s evaluation of the effectiveness of its internal control over financial reporting, Rollins, Inc. has excluded its wholly-owned subsidiary Western Pest Services which was acquired in 2004. This acquisition constituted 26% of total assets as of December 31, 2004, and 6.5% of revenues for the year then ended. Refer to Note 13 in the consolidated financial statements for further discussion of this acquisition and its impact on Rollins, Inc.'s financial statements.

The independent registered public accounting firm, Grant Thornton, who has audited the consolidated financial statements for the year ended December 31, 2004, included in the 2004 annual report, have also issued their report on management's assessment of the Company's internal control over financial reporting.

/s/ GARY W. ROLLINS

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Gary W. Rollins  
Chief Executive Officer, President and  
Chief Operating Officer

/s/ HARRY J. CYNKUS

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Harry J. Cynkus  
Chief Financial Officer  
and Treasurer

Atlanta, Georgia  
February 25, 2005

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Stockholders of Rollins, Inc.:

The management of Rollins, Inc. is responsible for the integrity and objectivity of the consolidated financial statements and other financial information presented in this report. These statements have been prepared in conformity with accounting principles generally accepted in the United States consistently applied and include amounts based on the best estimates and judgments of management.

Rollins maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States. The internal control system is augmented by written policies and procedures, an internal audit program and the selection and training of qualified personnel. This system includes policies that require adherence to ethical business standards and compliance with all applicable laws and regulations.

The consolidated financial statements for the year ended December 31, 2004 have been audited by Grant Thornton LLP, independent registered public accounting firm, and the financial statements for the years ended December 31, 2003 and 2002 have been audited by other auditors. In connection with its audit, Grant Thornton LLP develops and maintains an understanding of Rollins' accounting and financial controls and conducts tests of Rollin's accounting systems and other related procedures as it considers necessary to render an opinion on the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with Rollins' management, internal auditors and independent auditors to review matters relating to the quality of financial reporting and internal accounting controls, and the independent nature, extent and results of the audit effort. The Committee recommends to the Board appointment of the independent auditors. Both the internal auditors and the independent auditors have access to the Audit Committee, with or without the presence of management.

/s/ GARY W. ROLLINS

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Gary W. Rollins  
Chief Executive Officer, President and  
Chief Operating Officer

/s/ HARRY J. CYNKUS

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Harry J. Cynkus  
Chief Financial Officer  
and Treasurer

Atlanta, Georgia  
February 25, 2005

We have audited management's assessment included in Management's Report on Internal Controls Over Financial Reporting included in Rollins, Inc.'s Form 10K for 2004, that Rollins, Inc. (a Delaware Corporation) maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Rollins, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in Management's Report on Internal Controls Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of its wholly-owned subsidiary Western Pest Services which was acquired in 2004 and constituted 26% of total assets as of December 31, 2004 and 6.5% of revenues for the year then ended. Refer to Note 13 to the consolidated financial statements for further discussion of this acquisition and its impact on Rollins, Inc.'s consolidated financial statements. Our audit of internal control over financial reporting of Rollins, Inc. also did not include an evaluation of the internal control over financial reporting of Western Pest Services.

In our opinion, management's assessment that Rollins, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the COSO. Also in our opinion, Rollins, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Rollins, Inc. and subsidiaries as of December 31, 2004 and the related consolidated statements of income, stockholders' equity, and cash

flows for the year ended December 31, 2004 and our report dated February 25, 2005 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Atlanta, Georgia  
February 25, 2005

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Rollins, Inc.

We have audited the accompanying consolidated statement of financial position of Rollins, Inc. and Subsidiaries as of December 31, 2003, and the related consolidated statements of income, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2003. Our audits also included the financial statement schedule for each of the two years in the period ended December 31, 2003, listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rollins, Inc. and Subsidiaries at December 31, 2003, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2003, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for each of the two years in the period ended December 31, 2003, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Atlanta, Georgia

March 15, 2004, except with respect to the first paragraph  
of Note 12, as to which the date is March 11, 2005

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
ROLLINS, INC.

It is hereby certified that:

**FIRST:** The name of the corporation is Rollins, Inc., a Delaware corporation (the "Corporation").

**SECOND:** That at a meeting of the Board of Directors of Rollins, Inc., resolutions were duly adopted setting forth a proposed amendment "TWELFTH" (the "Amendment") to the Certificate of Incorporation of the Corporation, declaring said Amendment to be advisable and calling a meeting of the stockholders of the Corporation for consideration.

**THIRD:** That thereafter, pursuant to the resolution of its Board of Directors, a regular meeting of the Stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the Amendment.

**FOURTH:** The Certificate of Incorporation of the Corporation is hereby amended by adding the following new article TWELFTH:

"TWELFTH: A director of this corporation shall not be personally liable to this corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of this corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this paragraph by the stockholders of this corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of this corporation existing at the time of such repeal or modification."

**FIFTH:** The Amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by James R. Hicks, Jr., its Vice-President and attested to by James R. Hicks, Jr., its Secretary, this 20th of August, 1987.

ROLLINS, INC.

By:/s/ James R. Hicks, Jr.

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James R. Hicks, Jr.  
Title: Vice-President

ATTEST:

By:/s/ James R. Hicks, Jr.

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James R. Hicks, Jr.  
Secretary

## RESTRICTED STOCK GRANT AGREEMENT

RESTRICTED STOCK GRANT AGREEMENT made as of <>EffDt<> (the "Grant Date") between ROLLINS, INC., a Delaware corporation (hereinafter called "Company"), and <>FirstName<> <>LastName<>, an employee of the Company, or one or more of its subsidiaries (hereinafter called the "Employee").

WHEREAS, the Company desires to grant to the Employee shares of its Common Stock, par value \$1.00 per share (hereinafter called the "Common Stock"), subject to certain continued employment and vesting criteria, pursuant to the terms and provisions of the Company's 1998 Stock Incentive Plan, as Amended and Restated, (hereinafter called the "Plan"), as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and Employee's employment by the Company, the parties hereto agree as follows:

1. THE PLAN. This Agreement is made pursuant to and in accordance with the terms and provisions of the Plan. Anything in this Agreement to the contrary notwithstanding, the terms and provisions of the Plan, all of which are incorporated herein by reference, shall be controlling in the event of any inconsistency herewith.

2. ADMINISTRATION. The Plan shall be administered by the Compensation and Stock Incentive Committee of the Board of Directors of the Company, hereinafter referred to as the "Committee". The Committee is authorized and empowered to administer and interpret the Plan and this Agreement. Any interpretations of this Agreement or of the Plan made by the Committee shall be final and binding upon the parties hereto.

3. GRANT OF RESTRICTED STOCK. Effective as of the Grant Date, the Company hereby irrevocably grants to the Employee <>Shares<> shares of the Common Stock, which shares are subject to satisfaction of the vesting requirements and the terms and conditions hereinafter set forth (such shares of Common Stock being hereinafter referred to in the aggregate as the "Restricted Stock").

4. VESTING AND CONTINUED EMPLOYMENT. All Restricted Stock shall vest in accordance with the following vesting schedule, but only if, through such date, Employee shall have been in the continuous employ of the Company or a subsidiary thereof, in a position of equivalent or greater responsibility as on the Grant Date:

Anniversary Date of This Agreement	Percentage of Total Grant Fully Vested	Number of Shares Fully Vested	Cumulative Number of Shares Fully Vested
Total	100.0%	<>Shares<>	<>Shares<>

Unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or after the Grant Date, if an Employee's employment terminates for any reason other than death or retirement on or after age 65, as in the case of voluntary resignation of employment, all Restricted Stock which has not yet vested shall be immediately forfeited.

Unless otherwise determined by the Committee at or after the Grant Date, if an Employee's employment terminates by reason of death, a pro rata portion of the restrictions pertaining to continued employment on any Restricted Stock will lapse, based on the number of full months

the Employee was employed during the restriction period divided by the total number of months in the restriction period.

Unless otherwise determined by the Committee at or after the Grant Date, if an Employee's employment terminates by reason of retirement on or after age 65, all of the restrictions pertaining to continued employment on a Restricted Stock will lapse.

5. ESCROW; DIVIDENDS AND VOTING RIGHTS Prior to the completion of the vesting schedule referenced in Section 4, all shares of Restricted Stock shall be held in escrow by the Company for the benefit of the Employee. During such period, prior to any forfeiture of the shares, the Employee shall receive all cash dividends declared with respect to the shares and shall have the right to exercise all voting rights with respect to the shares. At the discretion of the Company, any share certificates so held in escrow shall be inscribed with a legend referencing the transfer restrictions contained in this Agreement and any other applicable transfer restrictions. Any share certificates issued pursuant to a stock split or as dividends with respect to the Restricted Stock held in escrow shall also be held in escrow on the same terms as the Restricted Stock and shall be released at the same time as, and subject to the same risk of

forfeiture as, the shares with respect to which they were issued. Any issued Restricted Stock which the Employee does not forfeit pursuant to Section 4 shall be transferred to the Employee free of any forfeiture conditions under the Plan or this Agreement as soon as practicable after the service vesting condition under Section 4 has been satisfied or no longer applies.

6. NON-TRANSFERRABILITY. No Restricted Stock granted pursuant to this Agreement shall be assignable or transferable, and such Restricted Stock shall not be subject to execution, attachment or other process, until that date on which the Restricted Stock vests pursuant to Section 4. Any attempt by the Employee to alienate, assign, pledge, hypothecate or

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otherwise dispose of the Employee's interest in this Agreement or any Restricted Stock prior to its becoming fully vested shall be ineffective and shall permit the Company to terminate this Agreement and cause the forfeiture of any unvested shares. The Company may, at its discretion, place a legend to such effect on the certificates representing the shares of Restricted Stock and issue appropriate stop transfer instructions to the Company's transfer agent.

7. CHANGE IN CAPITALIZATION. If there are any changes in the capitalization of the Company affecting in any manner the number or kind of outstanding shares of Common Stock of the Company, whether such changes have been occasioned by declaration of stock dividend, stock split-ups, reclassifications or recapitalizations of such stock, or because the Company has merged or consolidated with some other corporation, or for any other reason whatsoever, then the number of shares then subject to this Agreement shall be proportionately adjusted by the Committee as required by the Plan or to whatever extent the Committee determines that any such change equitably requires an adjustment. In no case shall the Company be required to issue a fractional share of Common Stock, and the total adjustment as set forth above shall be limited accordingly. The Committee need not treat other holders of Restricted Stock in the same manner as the Employee is treated.

8. REQUIREMENTS OF LAW. If any law, regulation of the Securities and Exchange Commission, or any regulation of any other commission or agency having jurisdiction shall require the Company or the Employee to take any action with respect to the shares of Restricted Stock covered by this Agreement, then the date upon which the Company shall deliver or cause to be delivered the certificate or certificates for the shares of Restricted Stock shall be postponed until full compliance has been made with all such requirements or law or regulation. Further, at or before the time of the delivery of any shares of Restricted Stock, the Employee

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shall, if requested by the Company, deliver to the Company a written statement that the Employee intends to hold the shares, so acquired for investment and not with a view to resale or other distribution thereof to the public. Further, in the event the Company shall determine that, in compliance with the Securities Act of 1933 or other applicable statute or regulation, it is necessary to register any of the shares of Restricted Stock, or to qualify any such shares for exemption for any of the requirements of the Securities Act of 1933 or other applicable statute or regulations, then the Company shall take such action as its own expense, but not until such action has been completed shall the shares be issued in the name of the Employee.

9. WITHHOLDING. The Company shall have the power and the right to deduct or withhold or require an Employee to remit to the Company, an amount (including any shares of Common Stock withheld as provided herein) sufficient to satisfy Federal, state and local taxes (including the Employee's FICA obligation) required by law to be withheld with respect to a grant of Restricted Stock. With the Company's consent, the Employee shall be able to elect that such tax-withholding requirements be satisfied, in whole or in part, (1) by tendering shares of Common Stock held by the Employee at least twelve (12) months prior to their tender or (2) through a reduction in the number of shares of Restricted Stock issued or transferred to the Employee. Any such election shall be irrevocable, made in writing and signed by the Employee. The Company reserves the right to reduce the number of shares of Restricted Stock issued or transferred to the Employee in order to satisfy such minimum applicable tax withholding requirements.

10. NO EFFECT ON EMPLOYMENT. Nothing herein shall be construed to limit or restrict the right of the Company or any of its subsidiaries to terminate an Employee's

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employment at any time with or without cause, or to increase or decrease the compensation of the Employee from the rate in existence at the time of the Grant Date.

11. GOVERNING LAW: This Plan and all awards made and actions taken

hereunder shall be governed by and construed in accordance with the Delaware General Corporation Law, to the extent applicable, and in accordance with the laws of the State of Georgia in all other respects.

IN WITNESS WHEREOF, the company has caused this Agreement to be duly executed by an authorized officer, and the Employee has hereunto set hand and seal, all as of the day and year first above written.

Rollins, Inc.

By:

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Employee

By:

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Social Security #:

## STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT made as of the \_\_\_\_\_ day of \_\_\_\_\_, 1998 (the "Grant Date"), between Rollins, Inc., a Delaware corporation (hereinafter called the "Company"), and \_\_\_\_\_, an employee of the Company or one or more of its subsidiaries (hereinafter called the "Employee").

WHEREAS, the Company desires to afford the Employee an opportunity to purchase shares of its Common Stock, par value \$1.00 per share (hereinafter called the "Common Stock"), pursuant to the terms and provisions of the Company's 1998 Employee Stock Incentive Plan (hereinafter called the "Plan"), as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and Employee's employment by the Company, the parties hereto agree as follows:

1. THE PLAN. This Option Agreement is made pursuant to and in accordance with the terms and provisions of the Plan. Anything in this Option Agreement to the contrary notwithstanding, the terms and provisions of the Plan, all of which are hereby incorporated herein by reference, shall be controlling in the event of any inconsistency herewith.

2. GRANT OF OPTION. The Company hereby irrevocably grants to the Employee the right and option (hereinafter called the "Option"), to purchase all or any part of an aggregate of \_\_\_\_\_ shares of Common Stock (subject to adjustment as provided in Paragraph 8 hereof), on the terms and conditions hereinafter set forth.

3. PURCHASE PRICE. The purchase price of the shares of Common Stock covered by the Option shall be \$\_\_\_\_\_ per share, which amount is at least 100% of fair market value of such shares at the date hereof, determined in accordance with the Plan, or 110% of such value if Employee owns more than 10% of the voting stock of the Company.

4. VESTING. No portion of the Option shall be exercisable prior to \_\_\_\_\_, 1995; beginning on such date, the Option shall become exercisable as follows:

With respect to \_\_\_\_\_ shares, on or after \_\_\_\_\_, 1995;

With respect to \_\_\_\_\_ shares, on or after \_\_\_\_\_, 1996;

With respect to \_\_\_\_\_ shares, on or after \_\_\_\_\_, 1997;

With respect to \_\_\_\_\_ shares, on or after \_\_\_\_\_, 1998; and

With respect to \_\_\_\_\_ shares, on or after \_\_\_\_\_, 1999.

5. TERM OF OPTION. To the extent vested pursuant to Section 4, each portion of the Option shall remain exercisable through the period ending ten (10) years after the date of grant, subject to earlier termination as provided in Section 8 hereof.

6. ADMINISTRATION. Unless administration of the Plan is assumed by the Board of Directors of the Company, the Plan shall be administered by a committee of the Board of Directors of the Company, hereinafter referred to as the "Committee". The Committee is authorized and empowered to administer and interpret the Plan and this Option Agreement. Any interpretations of this Option Agreement or of the Plan made by the Committee shall be final and binding upon the parties hereto.

7. NON-TRANSFERABILITY. The Option shall not be assignable nor transferable except by will or by the laws of descent and distribution and shall not be subject to execution, attachment or other process. Except as set forth in the Plan, during the lifetime of the Employee, the Option shall be exercisable only by the Employee. After the death of the Employee, the Option may be exercised prior to its termination as set forth in Section 8(b) hereof. Employee hereby agrees to retain ownership of, and to refrain from transferring, all shares of Common Stock obtained upon exercise of the Option for a period of one year after the date on which such Common Stock is obtained pursuant to the exercise of the Option; provided, however, that such one year transfer restriction shall be rescinded and shall no longer have any applicability following Employee's death, Normal Retirement (as defined in the Plan) or permanent disability (as determined by the Committee in accordance with the Plan). The Company may, at its discretion, place a legend to such effect on the certificates representing the shares of Common Stock obtained upon exercise of the option and issue appropriate stop transfer instructions to the Company's transfer agent.

8. TERMINATION. The Option may not be exercised by the Employee unless he/she, at the time of the exercise, shall have been in the continuous employ of the Company or a subsidiary thereof, in a position of equivalent or greater

responsibility as on the Grant Date, except as follows:

(a) If, prior to the expiration of the Option, Employee's employment terminates by reason of permanent disability (as determined by the Committee in accordance with the Plan), Employee or his/her guardian may exercise the Option through the earlier of (i) such date of expiration, or (ii) one year after the date of termination of employment, to the extent that the Option was exercisable at the date of termination of employment.

(b) If Employee dies while in the employ of the Company or a subsidiary without having fully exercised the Option, the Option may be exercised prior to its expiration and within six (6) months of the date of death, to the extent the Option was exercisable at the date of death, by the legal representative of the estate or by the legatee of the Employee under the Employee's will.

(c) If, prior to the expiration of the Option, Employee's employment terminates by reason of Normal or Early Retirement (as defined in the Plan), Employee may exercise the Option

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through the earlier of (i) such date of expiration, or (ii) one day less than three months after the Retirement date, to the extent the Option was exercisable at such Retirement date.

The termination of employment of an Employee for any reason shall not accelerate or otherwise affect the number of shares with respect to which the Option may be exercised.

9. CHANGE IN CAPITALIZATION. In general, if the Company is merged into or consolidated with another corporation under circumstances in which the Company is not the surviving corporation, or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation (any such merger, consolidation, etc. being hereinafter referred to as a "Non-Acquiring Transaction") while the Option is outstanding under the Plan, after the effective date of a Non-Acquiring Transaction Employee shall be entitled, upon exercise of the Option, to receive such stock or other securities as the holders of the same class of stock as those shares subject to the Option shall be entitled to receive in such Non-Acquiring Transaction based upon the agreed upon conversion ratio or per share distribution. However, in the discretion of the Board of Directors, any limitations on exercisability of the Option may be waived so that the Option, from and after a date prior to the effective date of such Non-Acquiring Transaction, shall be exercisable in full. Furthermore, in the discretion of the Board of Directors, the right to exercise may be given to Employee during a 30-day period preceding the effective date of such Non-Acquiring Transaction. If the Option is not exercised within such 30-day period it may be cancelled by the Board of Directors as of the effective date of any such Non-Acquiring Transaction. To the extent that the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Board of Directors, whose determination in that respect shall be final, binding and conclusive. The Committee need not treat other optionees and/or options in the same manner as Employee and the Option are treated. In no case shall the Company be required to sell a fractional share of Common Stock, and the total adjustment as set forth above shall be limited accordingly.

10. METHOD OF EXERCISING THE OPTION. Subject to the vesting provisions of Section 4 hereof, the Employee may exercise the Option in full or in part by written notice to the Company, delivered in person to the Treasurer of the Company or mailed, by registered mail, return receipt requested, to the Company's principal office at Atlanta, Georgia, attention of the Treasurer of the Company; provided, however, that if exercised in part, the Option may not be exercised for fewer than 100 shares, unless the remaining balance of the Option is less than 100 shares, in which case the Option may be exercised for the remaining balance. The written notice shall state the Employee's intention to exercise the Option and the number of shares in respect to which it is being exercised and shall be signed by the Employee or a legatee or personal representative of the Employee, as applicable. Such notice shall be accompanied by payment of the full purchase price of the shares, and instructions shall be given as to the address to which the stock certificates shall be mailed. The purchase price for the shares as to which the Option shall be exercised from time to time shall be paid in full in cash and/or unrestricted shares of Common Stock already owned by the optionee for a period of at least six months, based, in each case, on the Fair Market Value (as defined in the Plan) of the shares on the date the Option is exercised, unless it shall be determined by the Committee, at any time hereafter, in its sole discretion, that unrestricted shares of Common Stock are not a permissible form of payment with respect to the Option. No shares may be purchased if the Employee is not at the time of exercise in the employ of the Company, or a subsidiary, except as provided in Section 8.

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11. REQUIREMENT OF LAW. If any law, regulation of the Securities and Exchange Commission, or any regulation of any other commission or agency having jurisdiction shall require the Company or the Employee to take any action with respect to the shares of Common Stock acquired by the exercise of the Option, then the date upon which the Company shall deliver or cause to be delivered the

certificate or certificates for the shares of Common Stock shall be postponed until full compliance has been made with all such requirements or law or regulations. Further, at or before the time of the delivery of the shares with respect to which exercise of the Option has been made, the Employee shall, if requested by the Company, deliver to the Company his/her written statement that he/she intends to hold the shares so acquired by him on exercise of the Option for investment and not with a view to resale or other distribution thereof to the public. Further, in the event the Company shall determine that, in compliance with the Securities Act of 1933, as amended, or other applicable statute or regulation, it is necessary to register any of the shares of Common Stock with respect to which an exercise of the Option has been made, or to qualify any such shares for exemption from any of the requirements of the Securities Act of 1933, as amended, or other applicable statute or regulations, then the Company shall take such action at its own expense, but not until such action has been completed shall the Option shares be delivered to the Employee.

12. NO EFFECT ON EMPLOYMENT. Nothing herein shall be construed to grant Employee the right to continued employment with the Company, to limit or restrict the right of the Company or any of its subsidiaries to terminate an Employee's employment at any time, with or without cause, or to increase or decrease the compensation of the Employee from the rate in existence at the date hereof.

13. INCENTIVE STOCK OPTION. Portions of the Option granted hereunder may have been designated as an "Incentive Stock Option" pursuant to Section 422 of the Code (as defined in the Plan); provided, however, that to the extent that the Option fails for any reason to comply with the provisions of Section 422, it shall be treated as a Non-Qualified Stock Option (as defined in the Plan). The Company shall have no liability whatsoever to Employee in the event the Option fails for any reason to satisfy the requirements for Incentive Stock Options set forth in Section 422.

14. GOVERNING LAW. This Agreement and all awards made and actions taken hereunder shall be governed by and construed in accordance with the Delaware General Corporation Law, to the extent applicable, and in accordance with the laws of the State of Georgia in all other respects.

IN WITNESS WHEREOF, the Company has caused this Stock Option Agreement to be duly executed by an authorized officer, and the Employee has hereunto set his/her hand and seal, all as of the day and year first above written.

4  
ROLLINS, INC.

By:

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Its: President

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Employee

Summary of Compensation Arrangements with Executive Officers  
As of February 28, 2005

The following summarizes the current compensation and benefits received by the Chief Executive Officer of Rollins, Inc. ("the Company") and the Company's other four most highly compensated executive officers (the "Named Executive Officers") as of January 1, 2005. Compensation paid or earned during fiscal 2004 will be described in the Company's 2005 Proxy Statement.

This summary is intended to be a summary of existing oral, at will arrangements, and in no way is intended to provide any additional rights to any of the Named Executive Officers.

#### Base Salaries

The 2005 annual base salaries for the Company's Named Executive Officers as of February 28, 2005 are as follows:

<TABLE>	<C>
<S>	
R. Randall Rollins, Chairman of the Board	\$720,000
Gary W. Rollins, President, Chief Executive Officer and Chief Operating Officer	\$1,000,000
Michael W. Knottek, Senior Vice President and Secretary	\$275,000
Harry J. Cynkus, Chief Financial Officer and Treasurer	\$250,000
Glen Rollins, Vice President	\$450,000
</TABLE>	

#### Executive Bonus Plan

All of the Named Executive Officers participate in the Company's Executive Bonus Plan program. The Executive Bonus Plan program consists of two parts, the Performance-Based Cash Incentive Bonus Plan (the "Performance Bonus Plan") and the Home Office Bonus Plan (the "Home Office Plan"), both of which are described further below. Bonus opportunities are granted annually as follows:

- o Gary W. Rollins and Glen Rollins participate in the Performance Plan only, pursuant to the terms and conditions of the Company's standard Form A of Executive Bonus Plan, a copy of which is filed with the Company's periodic reports; and
- o Michael W. Knottek and Harry J. Cynkus participate in both elements of the Executive Bonus Plan pursuant to the terms and conditions of the Company's standard Form B of Executive Bonus Plan, a copy of which is filed with the Company's periodic reports.

Performance-Based Cash Incentive Bonus Plan (the "Performance Bonus Plan"). Bonus awards under the Performance Bonus Plan provide participants an opportunity to earn an annual bonus in a maximum amount of 80% of base salary or \$2 million per individual per year, whichever is less. Under the Performance Bonus Plan, whether a bonus is payable, and the amount of any bonus payable, is contingent upon achievement of certain performance goals which are set in the annual Program adopted under the Performance Bonus Plan. Performance goals are measured according to one or more of the following three targeted financial measures: revenue growth, achievement of preset pretax profit targets, and pretax profit improvement over the prior year.

Unless sooner amended or terminated by the Compensation Committee, the Performance Bonus Plan will be in place until April 22, 2008.

Home Office Bonus Plan (the "Home Office Plan"). Messrs. Knottek and Cynkus also participate in the Company's Home Office Plan. Under the Home Office Plan, participants receive an opportunity to

earn bonuses based on certain key operating initiatives and customer service survey results. The Home Office Plan is implemented through the annual grant of individual bonus opportunities as described above.

#### Stock Options and Other Equity Awards

The Named Executive Officers are eligible to receive options and restricted stock under the Company's stock incentive plan, in such amounts and with such terms and conditions as determined by the Committee at the time of grant. The Company's standard forms of option and restricted stock grant agreements are filed as material contracts with the Company's periodic reports.

#### Automobile Usage

Mike Knottek and Harry Cynkus are each entitled to the use of company-leased automobiles. Both automobiles are self-insured by the Company, and they are leased for \$980.35 and \$909.96 per month, respectively. Messrs. Knottek and Cynkus each pay the Company \$325 per month for their personal use of

the automobiles.

#### Airplane Usage

Messrs. Randall and Gary Rollins are entitled to use the Company's plane for personal use, subject to reimbursement to the Company at a rate of \$1,000 per hour, as disclosed in the Company's annual proxy statements.

#### Other Benefits

The Named Executive Officers also participate in the Company's regular employee benefit programs, which include a defined benefit retirement plan, a 401(k) plan with Company match, group medical and dental coverage, group life insurance and other group benefit plans. All of the Company's Named Executive Officers are party to the Company's standard Agreement to Arbitrate, which is a part of the Company's regular employee benefit programs. The Named Executive Officers are also provided with additional life insurance benefits, as well as long-term disability.

## WRITTEN DESCRIPTION OF

ROLLINS, INC.  
PERFORMANCE-BASED  
INCENTIVE CASH COMPENSATION PLAN

The material terms of the Rollins, Inc. Performance-Based Incentive Cash Compensation Plan (the "Plan"), which is not evidenced by any written document, are summarized below.

All of the executive officers of Rollins, Inc. ("Rollins") are eligible to participate in the Plan, at the discretion of Rollins's Compensation Committee. Bonus awards under the plan provide participants an opportunity to earn an annual bonus in a maximum amount of 80% of base salary or \$2 million per individual per year, whichever is less.

Whether a bonus is payable, and the amount of any bonus payable, is contingent upon achievement of certain performance goals, which are measured according to one or more of the following three targeted financial measures: revenue growth, pretax profit target level, and pretax profit improvement over the prior year. Unless sooner amended or terminated by the Compensation Committee, the plan will be in place until April 22, 2008.

STANDARD FORM A OF  
EXECUTIVE BONUS PLAN

[Rollins logo] Executive Offices

PERSONAL &amp; CONFIDENTIAL

TO: [NAME OF RECIPIENT] FROM: Gary W. Rollins\*

\* [cover memo is not delivered with Gary Rollins's bonus plan]

DATE: [DATE] OFFICE: [TITLE OF RECIPIENT]

SUBJECT: [CURRENT YEAR] EXECUTIVE BONUS PLAN

COPIES: file

I am pleased to enclose your [PREVIOUS YEAR] Executive Bonus check and worksheet.

Additionally, the Rollins, Inc. Board of Directors Compensation Committee has approved your participation in a [CURRENT YEAR] Executive Bonus Plan program and the details of your bonus opportunity are enclosed.

This plan is designed to support shareholder interests by rewarding you for Rollins Inc.'s achievements in the areas of Profit Improvements, Profit to Plan, and Combined Revenues to Plan.

Attached are two copies of your [CURRENT YEAR] Executive Bonus Plan. Please keep one copy for your records and return one signed copy to Human Resources for company record keeping purposes. Also attached is a copy of the Agreement to Arbitrate, which, according to our Company Dispute Resolution Policy, is a required document of every bonus-eligible employee. Please return a signed copy of the Agreement to Arbitrate with your signed bonus plan. You are required to sign it only once.

With your assistance we expect [CURRENT YEAR] to be a continuation of our profit and revenue successes that we've established over recent years. Your individual efforts will be key to the success of the Company for our employees and shareholders.

[TITLE OF RECIPIENT]  
Incentive Compensation Plan - [PLAN YEAR]

FOR: [NAME OF RECIPIENT]

The elements of the plan are as follows:

## 1. PROFIT TO PLAN

The Profit to Plan element will be paid according to the following scale up to a maximum of 20% of your annual salary:

Rollins Inc. Pre-Tax Profit to Plan Achievement	Annual % of Salary
100+%	20%
97.5%	15%
95%	10%
90%	5%

The Company must have a profit and a profit improvement for this element to be paid.

Your CY [YEAR] Pre-Tax Profit Plan is: \$[TARGET AMOUNT]  
-----  
Annual [YEAR]

## 2. PROFIT INCREASE OVER LAST YEAR

You will be paid [1.12% for chairman of the board, 1.56% for CEO of Rollins, .7%

for President of Orkin] of the profit increase up to the maximum of 20% of your annual salary.

The Company must have a profit and a profit improvement for this element to be paid.

Your CY[LAST YEAR] Pre-Tax Adjusted Profit base was: \$ \_\_\_\_\_  
Annual '0\_\_

### 3. COMBINED REVENUE TO PLANNED INCREASE

The Revenue to Planned Increase element will be paid according to the following scale up to a maximum of 20% of your annual salary:

<TABLE>  
<CAPTION>

Rollins Inc. Combined Net Revenue to Planned Increase Achievement	Planned Percentage Increase over Prior Year	Annual % of Salary
<S> <C> 100%	<C> ____ %	<C> 20%
95 - 99.9%	____ %	15%
90 - 94.9%	____ %	10%
85 - 89.9%	____ %	5%

</TABLE>  
The Company must have a profit and a profit improvement for this element to be paid.

Your CY0\_\_ Combined Revenue Plan is:

\$ [plan year target amt.]      \$ \_\_\_\_\_ [target percentage]  
-----  
Annual '0\_\_                        Actual '0\_\_                        % increase

### Glossary of Terms and Conditions

#### [year] Rollins, Inc. Executive Bonus Plan

##### I. General Plan Qualifiers and Provisions

- A. The plan year for this bonus is January 1, 200\_ to December 31, 200\_.
- B. Your bonus plan is subject to change each year.
- C. Your bonus will be calculated using your actual current base salary as of December 31, 200\_.
- D. Your eligibility for a bonus and the amount due will be determined solely by the Company.
- E. Bonus payments will be made in one lump sum no later than March 15, 200\_, minus applicable state and federal taxes. Other deductions may apply, e.g., 401(K) deductions, etc.
- F. You must be employed in the same position on December 31, 200\_ to be eligible for a bonus, except as described below in (H.).
- G. You will not receive a bonus if for any reason you are in a position on December 31, 200\_ that is not eligible for a bonus or if you are not actively employed on the date that the bonus is paid.
- H. If you are promoted during the plan year from one bonus-eligible position to another bonus-eligible position, the bonus components common to both plans carry over to the new position. Plan components unique to the original bonus-eligible position will be paid based on time spent in the position (must be at least 50 percent of the plan year). Bonus amounts on these unique components will be calculated at the time of the transfer based on year-to-date results.
- I. If you are hired into a bonus-eligible position during the year, or if you are promoted during the plan year from a position that is ineligible for a bonus into a bonus-eligible position, you will be eligible for a pro-rated bonus if you are in the bonus-eligible

position for at least 50 percent of the plan year.

- J. You will not receive any bonus if you falsify documents, violate company policy or know of such actions by employees under your direction without taking corrective actions.
- K. Any disputes over your bonus will be resolved by the Compensation Committee.
- L. The Compensation Committee reserves the right to reward outstanding performance in unique situations by awarding an employee a bonus outside the terms of the 200\_ Home Office Bonus Plan.
- M. The actual profit from which the bonus may be determined may be subject to adjustments as recommended by the President and approved by the Compensation Committee for the year 200\_.
- N. Acquisitions over \$5,000,000 in revenue will be added to the Company strategic plan (revenue and profit) based on a pro forma of the acquisition model for bonus calculations.

## II. Plan Components

### A. General Provisions

The 200\_ Home Office Executive Bonus Plans divide bonus opportunity into three components: profit to plan performance, profit increase over last year, and combined revenue to planned increase. No bonus will be paid under any component if Rollins Inc.'s pre-tax profit does not result in a profit improvement in 200\_, as compared to 2004.

### B. Profit Increase Performance Component

If Rollins Inc.'s pre-tax profit in 200\_ increases compared to 2004, you will receive a percentage of the profit increase up to the maximum allowable percentage of salary under your bonus plan for this component.

### C. Profit To Plan Performance Component

If Rollins Inc.'s pre-tax profit meets or exceeds 90% of the Company's plan in 200\_, you will receive a bonus based on a scale up to the maximum allowable percentage of salary under your bonus plan for this component. Payouts will begin at 90% of Profit Plan and rise to 100% payout at 100% of Profit Plan.

### D. Combined Revenue to Planned Increase

If Rollins Inc.'s combined revenues meet or exceed 85% of the Company's revenue planned increase for 200\_, you will receive a bonus based on a scale up to the maximum allowable percentage of salary under your bonus plan for this component.

## ACKNOWLEDGMENT

I have received and read a copy of my Incentive Plan with the accompanying Glossary of Terms and Conditions. I understand that participation in this Plan should in no way be construed as a contract or promise of employment and/or compensation. Employment is at-will, and therefore employment and compensation can terminate,

with or without cause and with or without notice, at any time at the option of the Company or employee. I also understand that this Incentive Plan will be subject to review, and likely to change next year.

-----  
Plan Participant

-----  
Date

STANDARD FORM A OF  
EXECUTIVE BONUS PLAN

[Rollins logo] Executive Offices

PERSONAL &amp; CONFIDENTIAL

TO: [NAME OF RECIPIENT] FROM: Gary W. Rollins  
 DATE: [DATE] OFFICE: [TITLE OF RECIPIENT]  
 SUBJECT: [CURRENT YEAR] EXECUTIVE BONUS PLAN  
 COPIES: file

I am pleased to enclose your [PREVIOUS YEAR] Executive Bonus check and worksheet.

Additionally, the Rollins, Inc. Board of Directors Compensation Committee has approved your participation in a [CURRENT YEAR] Executive Bonus Plan program and the details of your bonus opportunity are enclosed.

This plan is designed to support shareholder interests by rewarding you for Rollins Inc.'s achievements in the areas of Profit Improvements, Profit to Plan, and Combined Revenues to Plan.

You will also participate in a Home Office bonus plan for the balance of your [CURRENT YEAR] bonus opportunity, which will be based on achievements in department customer service and your cumulative department performance to the [CURRENT YEAR] Home Office department budgets.

Attached are two copies of your [CURRENT YEAR] Executive Bonus Plan. Please keep one copy for your records and return one signed copy to Human Resources for company record keeping purposes. Also attached is a copy of the Agreement to Arbitrate, which, according to our Company Dispute Resolution Policy, is a required document of every bonus-eligible employee. Please return a signed copy of the

Agreement to Arbitrate with your signed bonus plan. You are required to sign it only once.

With your assistance we expect [CURRENT YEAR] to be a continuation of our profit and revenue successes that we've established over recent years. Your individual efforts will be key to the success of the Company for our employees and shareholders.

[TITLE OF RECIPIENT]  
 Incentive Compensation Plan - [PLAN YEAR]

FOR: [NAME OF RECIPIENT]

The elements of the plan are as follows:

1. PROFIT TO PLAN

The Profit to Plan element will be paid according to the following scale up to a maximum of 15% of your annual salary:

Rollins Inc. Pre-Tax Profit to Plan Achievement	Annual % of Salary
100%	15%
97.5%	12.5%
95%	10.0%
92.5%	7.5%
90%	5%

The Company must have a profit and a profit improvement for this element to be paid.

Your CY [YEAR] Pre-Tax Profit Plan is: \$ [TARGET AMOUNT]

2. PROFIT INCREASE OVER LAST YEAR

You will be paid [.22% for Senior VP and Secretary, .20% for Chief Financial Officer and Treasurer] of the profit increase up to the maximum of 10% of your annual salary.

The Company must have a profit and a profit improvement for this element to be paid.

Your CY[LAST YEAR] Pre-Tax Adjusted Profit base was: \$ -----  
-----  
Annual '0\_\_

3. COMBINED REVENUE TO PLANNED INCREASE

The Revenue to Planned Increase element will be paid according to the following scale up to a maximum of 5% of your annual salary:

Rollins Inc. Combined Net Revenue to Planned Increase Achievement	Planned Percentage Increase over Prior Year	Annual % of Salary
100%	_____ %	5%
95 - 99.9%	_____ %	4%
90 - 94.9%	_____ %	3%
85 - 89.9%	_____ %	2%

The Company must have a profit and a profit improvement for this element to be paid.

Your CY0\_\_ Combined Revenue Plan is:

\$ [plan year target amt.] ----- [target percentage]  
-----  
Annual '0\_\_ Actual '0\_\_ % increase

Glossary of Terms and Conditions

200\_ Rollins, Inc. Executive/Home Office Bonus Plan

I. General Plan Qualifiers and Provisions

- A. The plan year for this bonus is January 1, 200\_ to December 31, 200\_.
- B. Your bonus plan is subject to change each year.
- C. Your bonus will be calculated using your actual current base salary as of December 31, 200\_.
- D. Your eligibility for a bonus and the amount due will be determined solely by the Company.
- E. Bonus payments will be made in one lump sum no later than March 15, 200\_, minus applicable state and federal taxes. Other deductions may apply, e.g., 401(K) deductions, etc.
- F. You must be employed in the same position on December 31, 200\_ to be eligible for a bonus, except as described below in (H.).
- G. You will not receive a bonus if for any reason you are in a position on December 31, 200\_ that is not eligible for a bonus or if you are not actively employed on the date that the bonus is paid.
- H. If you are promoted during the plan year from one bonus-eligible position to another bonus-eligible position, the bonus components common to both plans carry over to the new position. Plan components unique to the original bonus-eligible position will be paid based on time spent in the position (must be at least 50 percent of the plan year). Bonus amounts on these unique components will be calculated at the time of the transfer based on year-to-date results.
- I. If you are hired into a bonus-eligible position during the year, or if you are promoted during the plan year from a position that is

ineligible for a bonus into a bonus-eligible position, you will be eligible for a pro-rated bonus if you are in the bonus-eligible position for at least 50 percent of the plan year.

- J. You will not receive any bonus if you falsify documents, violate company policy or know of such actions by employees under your direction without taking corrective actions.
- K. Any disputes over your bonus will be resolved by the Compensation Committee.
- L. The Compensation Committee reserves the right to reward outstanding performance in unique situations by awarding an employee a bonus outside the terms of the 200\_ Home Office Bonus Plan.
- M. The actual profit from which the bonus may be determined may be subject to adjustments as recommended by the President and approved by the Compensation Committee for the year 200\_.
- N. Acquisitions over \$5,000,000 in revenue will be added to the Company strategic plan (revenue and profit) based on a pro forma of the acquisition model for bonus calculations.

## II. Plan Components

---

### A. General Provisions

The 200\_ Executive/Home Office Bonus Plans divide bonus opportunity into two components: customer satisfaction and key operating initiatives. No bonus will be paid under any component if Rollins Inc.'s pre-tax profit does not result in a profit improvement in 200\_, as compared to 2004.

### B. Customer Satisfaction Component

1. The 200\_ Internal Customer Service Surveys will utilize a format similar to the ones utilized in 200\_.
2. Participants with this component will have this portion of their bonus opportunity based on the weighted average rating of the departments who report to them.
3. You will receive 100 percent of the bonus opportunity under this component if your departments receive a weighted average rating of \_\_\_\_ or better.
4. You will receive 75 percent of the bonus opportunity under this component if your departments receive a weighted average rating of \_\_\_\_.
5. You will receive 50 percent of the bonus opportunity under this component if your departments receive a weighted average rating of \_\_\_\_ in the survey.

### C. Key Operating Initiatives Component

1. The purpose of this portion of the bonus plan is to recognize achievement of specific financial and/or strategic goals.
2. Participants with this component will have this portion of their bonus opportunity based on 100% attainment (or better) of their combined departments' expenses to plan.
3. You will not receive any bonus for a KOI linked to your departments' expense to plan if you intentionally understaff your departments or delay an agreed-upon project.

## ACKNOWLEDGMENT

I have received and read a copy of my Incentive Plan with the accompanying Glossary of Terms and Conditions. I understand that participation in this Plan should in no way be construed as a contract or promise of employment and/or compensation. Employment is at-will, and therefore employment and compensation can terminate, with or without cause and with or without notice, at any time at the option of the Company or employee. I also understand that this Incentive Plan will be subject to review, and likely to change next year.

---

Plan Participant

---

Date

Summary of Compensation Arrangements with Non-Employee Directors  
As of February 28, 2005

The following summarizes the current compensation and benefits received by the Company's non-employee directors as of February 28, 2005. It is intended to be a summary of existing oral, at will arrangements, and in no way is intended to provide any additional rights to any non-employee director.

Fees

Non-employee directors each receive an annual retainer fee of \$16,000, which is paid on a quarterly basis, plus per-meeting fees. In addition, each participating non-employee director receives \$2,000 in February to review and participate in a conference call to discuss the Form 10-K.

The per meeting fees for non-employee directors are as follows:

- o For meetings of the Board of Directors, Compensation Committee, Corporate Governance/Nominating Committee and Diversity Committee, \$1,000.
- o For meetings of the Audit Committee, \$2,000.
- o The Chairman of the Audit Committee receives an additional Pre-Board Meeting fee of \$1,000 for each board meeting.
- o The Chairmen of the Compensation Committee, Corporate Governance/Nominating Committee and Diversity Committee each receive an additional fee of \$1,000 for each meeting of the committee which he chairs.
- o The Chairman of the Audit Committee receives an additional fee of \$3,000 per each meeting of the Audit Committee

Equity Compensation

Under the terms of the Company's Stock Incentive Plan, directors are eligible to receive stock options, stock awards, and other types of equity-based compensation awards. However, the Company does not make any such awards to non-employee directors under its current compensation policies.

All non-employee directors are entitled to reimbursement of expenses for all services as a director, including committee participation or special assignments.

## PURCHASE AND SALE AGREEMENT

## SUSSEX COUNTY, DELAWARE

THIS PURCHASE AND SALE AGREEMENT (hereinafter referred to as the "Agreement") is made and entered into as of December 20, 2004 by and between ROLLINS CONTINENTAL, INC., a New York corporation ("Seller") and LOR INC., a Georgia corporation ("LOR") and RCTLOR, LLC, a Georgia limited liability company ("RCTLOR"; LOR and RCTLOR collectively, "Purchaser").

## WITNESSETH:

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, including without limitation Section 1.2 below, Seller agrees to sell and convey to Purchaser, and Purchaser agrees to buy from Seller, the following:

(a) certain real property containing approximately 433.72 acres more or less located in Lewes and Rehoboth Hundred, Sussex County, Delaware, such real property 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").

1.2 Joint Acquisition of Property. At Closing, Seller shall convey to LOR, and LOR shall receive from Seller, an approximately 42.15% undivided interest in the Property (the "LOR Undivided Interest"). At Closing, Seller shall convey to RCTLOR, and RCTLOR shall receive from Seller, an approximately 57.85% undivided interest in the Property (the "RCTLOR Undivided Interest"). At Closing, LOR and RCTLOR will enter into a Tenancy-In-Common Agreement. Wherever this Agreement provides that Purchaser shall pay a particular cost or expense, or provides for an adjustment to the Purchase Price (whether an increase or decrease), or otherwise provides for rights, liabilities or obligations to be assigned, assumed or performed by Purchaser, including without limitation Sections 2.6, 4.3, 4.4, 5.3 and Article 8, such costs, expenses, Purchase Price adjustments, rights, liabilities and obligations shall be divided between LOR and RCTLOR on the basis of their respective 42.15% and 57.85% ownership interests in 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, the purchase price (the "Purchase Price") for the Property shall be TEN MILLION EIGHT HUNDRED THOUSAND AND NO/100THS DOLLARS (\$10,800,000.00), and shall be allocated between LOR and RCTLOR as follows: the portion of the Purchase Price allocable to the LOR Undivided Interest and to be paid by LOR at Closing shall be FOUR MILLION FIVE HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED AND NO/100THS DOLLARS (\$4,552,200.00), and the portion of the Purchase Price allocable to the RCTLOR Undivided Interest and to be paid by RCTLOR at Closing shall be SIX MILLION TWO HUNDRED FORTY-SEVEN THOUSAND EIGHT HUNDRED AND NO/100THS DOLLARS (\$6,247,800.00). The 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 NA 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 December 29, 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 Fidelity National Title Insurance Company, Two Parkway Center, Suite 700, 1800 Parkway Place, Marietta, Georgia 30067, 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.

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.

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.

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 and in the Conveyance Deed as hereinafter described. 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.

ARTICLE 4  
TITLE; SURVEY

4.1 Title. Except as otherwise agreed by the Seller in writing, for the purposes of this Agreement, "Permitted Exceptions" shall mean the following: (i) current state and county ad valorem real property taxes not due and payable on the date of Closing; (ii) easements for the maintenance of public utilities that serve only the Property; (iii) any other matters which a current, accurate survey or physical inspection of the Property would show and (iv) any matters of public record, other than Monetary Encumbrances (as hereinafter defined), if any. Prior to the end of the Inspection Period, Purchaser shall secure, at Purchaser's expense, one or more commitments (collectively, the "Title Commitment") for an owner's policy or policies of title insurance (collectively, the "Title Policy") to be issued by a national title insurance company selected by Purchaser (the "Title Company") at its then current standard rates, without any special premium, in an amount not less than the Purchase Price. Purchaser's obligation to consummate the purchase and sale herein contemplated shall be subject to and conditional upon Purchaser's receipt at Closing of the Title Policy or of a marked-up Title Commitment deleting all exceptions (including, without limitation, the standard exceptions the deletion of which does not require a current survey of the Property) other than the Permitted Exceptions (as hereafter defined). The Title Policy shall insure the Purchaser that, upon consummation of the purchase and sale herein contemplated, Purchaser will be vested with good, fee simple, marketable and insurable title to the Property, subject only to the Permitted Exceptions. For the purposes of this Agreement, "good, fee simple, marketable and insurable title" shall mean fee simple ownership, insurable by the Title Company under the Title Policy, and free of all claims, liens and encumbrances of any kind or nature whatsoever other than the Permitted Exceptions. Seller hereby covenants and agrees to furnish the Title Company with such affidavits and indemnities (subject to Seller's

reasonable approval) as may be reasonably required by the Title Company in order to issue the Title Policy without any exception for unfiled and unrecorded materialmen's and mechanics' liens rights or claims of parties in possession (other than Purchaser or anyone acting by, through or under Purchaser) not shown by the public records and taxes or special assessments which are not shown as existing liens by the public records and as necessary to enable the Title Company to issue so-called "gap" coverage in favor of Purchaser. Purchaser shall have until the end of the Inspection Period in which to give Seller written notice of Purchaser's objections to any encumbrances revealed by the Title Commitment. Following Purchaser's initial title examination, Purchaser shall have until the date of Closing in which to reexamine title to the Property and in which to give Seller notice of any additional objections disclosed by such reexamination and which were not filed and indexed of record as of the effective date of the Title Commitment; upon delivery of such notice to Seller, the process outlined in Section 4.2 below shall again be applicable with respect to any additional objections.

4.2 Objections to Title. In the event that the Title Commitment shall show that the Property is subject to encumbrances to which Purchaser objects, then Purchaser may elect: (a) to waive any objection to such encumbrances and proceed to Closing, subject to the obligation of Seller to pay and remove or otherwise bond over in a manner reasonably acceptable to Purchaser all Monetary Encumbrances (as hereinafter defined), or (b) to terminate this Agreement, in which event the Earnest Money and any interest thereon shall be returned to Purchaser, and, upon the receipt thereof by Purchaser, all obligations hereunder shall be null and void and of no further force or effect, or (c) to deliver written notice to Seller, within the time periods set forth hereinabove in Section 4.1, of Purchaser's objections to such encumbrances ("Purchaser's Title Objection Notice"). Seller shall be obligated to pay and discharge or otherwise

bond over in a manner reasonably acceptable to Purchaser at or prior to Closing all mortgages, deeds to secure debt, security agreements, mechanic's and materialmen's liens, judgment liens, tax liens and assessments, and other encumbrances for the benefit of Purchaser that can be cured by the payment of a sum certain ("Monetary Encumbrances") encumbering the Property.

Within five (5) business days after Seller's receipt of Purchaser's Title Objection Notice, Seller shall deliver written notice to Purchaser stating whether Seller agrees to remove any of such encumbrances (other than the Monetary Encumbrances) which are objected to in Purchaser's Title Objection Notice (the "Non-Monetary Encumbrances"). Seller shall have no obligation to remove any such Non-Monetary Encumbrances, and if Seller does not agree to remove some or all of the Non-Monetary Encumbrances, Purchaser shall have the right, upon written notice to Seller to acquire the Property subject to the unsatisfied Non-Monetary Encumbrances. Within five (5) business days after Purchaser's receipt of Seller's written response, Purchaser, at Purchaser's election, shall provide written notice to Seller (the "Title Notice") that it has elected to (i) acquire the Property subject to such Non-Monetary Encumbrances or (ii) terminate this Agreement. If Purchaser elects to terminate this Agreement, then the Earnest Money and any interest thereon shall be delivered to Purchaser, and upon the receipt thereof by Purchaser, all obligations hereunder shall be null and void and of no further force and effect, except those stated herein to survive any such termination. Purchaser's failure to timely deliver the Title Notice shall be deemed its election to acquire the Property subject to such Non-Monetary Encumbrances. If Purchaser elects to terminate this Agreement by sending Title Notice thereof, then, in such event the Earnest Money and any interest thereon shall be delivered to Purchaser, and upon the receipt thereof by Purchaser, all obligations hereunder shall be null and void and of no further force and effect, except those stated herein to survive any such termination. If Purchaser does not terminate this Agreement within such time period, Purchaser shall be deemed to have waived its objection to such Non-Monetary Encumbrance. If, on or before the date of Closing, Seller either fails to pay and discharge any Monetary Encumbrance or fails to remove any Non-Monetary Encumbrance which Seller has agreed to remove, Purchaser, at Purchaser's election, may (i) waive such objections and proceed to Closing; (ii) terminate this Agreement, in which such event the Earnest Money and any interest thereon shall be delivered to Purchaser and, upon the receipt thereof, all obligations hereunder shall be null and void and of no further force and effect, except those stated herein to survive any such termination; or (iii) with respect to any Monetary Encumbrance, proceed to Closing, satisfy such Monetary Encumbrance and receive a credit against the Purchase Price in the amount of such Monetary Encumbrance. Any Non-Monetary Encumbrances that Purchaser waives or to which Purchaser fails to object within the designated time period shall be deemed to be included in "Permitted Exceptions".

4.3 Lease. Seller and Purchaser acknowledge that the Property is currently leased to Ritter Farms pursuant to that certain Lease (the "Lease"), dated January 1, 2004 between Seller, as lessor, and Ritter Farms, as lessee. Seller agrees to assign all of its rights and Purchaser agrees to assume all of Seller's obligations under the Lease effective as of the Closing Date. All rent under the Lease shall be prorated at Closing.

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 the Conveyance Deed and Quitclaim Deed 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) Conveyance Deed. A special warranty deed (the "Conveyance Deed"), in the statutory form attached hereto as Exhibit C, duly executed by Seller conveying title to the Property, with the record legal description, subject to the Permitted Exceptions, together with all real property transfer tax returns, if any, required by the State of Delaware;

(b) Assignment of Lease. Two (2) counterparts of an Agreement Regarding Assignment and Assumption of Leases (the "Assignment of Lease") in the form attached hereto as Exhibit D duly executed by Seller providing for the assignment to Purchaser of Seller's rights under, and the assumption by Purchaser of Seller's obligations under, the Lease effective as of the Closing Date.

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

(d) Certificate of Non-Foreign Status. A certificate, in the form attached hereto as Exhibit F, 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");

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

(f) Owner's Affidavit. Two (2) counterparts of the Owner's Affidavit, in the form attached hereto as Exhibit H, duly executed by Seller and notarized, in form satisfactory to 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.

(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.

(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 consideration, including prorations thereof and adjustments thereto, exchanged 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) Assignment of Lease. Two (2) counterparts of the Assignment of Lease, duly executed by Purchaser.

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

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

(e) 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) one-half of the State of Delaware taxes imposed upon the transactions contemplated in this Agreement and the conveyance of the Property (collectively, the "Transfer Taxes"); (ii) one-half of the cost of the Survey; (iii) one half of the cost of all premiums payable with respect to the Title Policy, including the cost of any endorsements to the Title Policy (collectively, the "Title Insurance Premium"); (iv) one-half of any closing fees or escrow fees charged by the Escrow Agent; (v) the cost of recording any title clearance documents required in accordance with this Agreement; and (vi) 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) one-half of the Transfer Taxes; (ii) one-half of the cost of the Survey; (iii) one-half of the Title Insurance Premium; (iv) the cost of recording the Conveyance Deed and the QuitClaim Deed; (v) one-half of any closing fees or escrow fees charged by the Escrow Agent; (vi) any additional costs and charges customarily charged to purchasers 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 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 Delaware. 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 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.

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#### 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 Delaware.

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.

10.12 Intentionally Deleted.

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: 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: 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

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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  
Treasurer and Assistant Secretary

[CORPORATE SEAL]

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PURCHASER:

LOR, INC.

By: /s/ Donald P. Carson

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

[CORPORATE SEAL]

RCTLOR, LLC

By: LOR Inc, its Manager

By: /s/ Donald P. Carson

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Donald P. Carson, Secretary-Treasurer

[CORPORATE SEAL]

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EXHIBIT A

(Legal Description)

ALL OF THE FOLLOWING tracts, pieces and parcels of land situate, lying, and being in Sussex County, State of Delaware, as originally conveyed to Continental Broadcasting, Inc. by virtue of that certain Corrective Deed, dated October 26, 1979, from Rollins, Inc., as successor corporation to Rollins Broadcasting, Inc. (the "Vesting Deed"), as recorded in Deed Book 979, Page 228, in the Office of the Recorder of Deeds, in and for Sussex County, Delaware and being more particularly described therein as:

ALL THOSE certain tracts, pieces, or parcels of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, and the State of Delaware, and more particularly described as follows, viz: Tract No. 1: Fronting on the public road leading from the Town of Lewes to the Town of Georgetown, known as the "Woods Farm" bounded on the West by the aforesaid public road; on the North by the "Orton Farm," on the East by lands of Dr. E. W. W. Marsh and heirs of Joseph Marsh; on the South by lands of Thomas Turner; and containing 66 acres, more or less. Tract No. 2: Known as the "Thomas Orton Farm," bounded and described as follows, to wit: on the Northwest by the public road leading from Lewes to Georgetown, on the Northeast by lands of John Wilson; on the Southeast by the said Wilson lands and the public road leading from Lewes to Millsboro; on the Southwest by lands of E. W. Marsh and Charles Robbins, the metes and bounds are as follows, to wit: BEGINNING on the Southeast side of the public road leading from Lewes to Georgetown at a corner for this land and lands of Charles Robbins and running with the center of said road North 89 3/4(degree) East 34.7 perches; and continuing with said road North 71(degree) East 208.3 perches to a corner for this land and the Wilson land; thence South 20(degree) East 100 1/4 perches; thence South 63(degree) West 96.4 perches to a corner; thence South 28(degree) East 98.8 perches to the center of the public road leading from Lewes to Millsboro; thence with center of said road South 52 1/2(degree) West 162 3/4 perches to a corner of the Marsh lands; thence North 46(degree) West 46.4 perches; thence South 76 3/4(degree) West 11.5 perches to a corner of the Robbins land; thence North 7 1/2(degree) West 121 1/4 perches to a post and the place of beginning, containing 134 acres and 100 square perches of land, be the same, more or less. Tract No. 1 and Tract No. 2 comprise one farm.

WITH THE EXCEPTION of the parcel of real estate which was conveyed unto Mahlon Graves and wife, and of record in the Office of the Recorder of Deeds, in and for Sussex County, at Georgetown, in Deed Record No. 242, Page 291, containing 3.3167 acres of land, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Robert W. Tunnell, Trustee by Deed dated May 6, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 446, Page 1, &c., as reference thereunto being had will more fully and at large appear.

#### VESTING DEED TRACT III.

ALL THAT certain tract, piece, and parcel of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, lying on both sides of the public road leading from Lewes to Millsboro and bounded and described as follows, to wit:

BEGINNING on the South side of the public road aforesaid, at a corner for these lands and lands of David Marine and running South 70(degree) East 38 perches; thence North 76 3/4(degree) East 1 1/2 perches; thence South 45 1/4(degree) East 48 perches; thence North 29 1/2(degree) East to a bend in the line; thence North 19 3/4(degree) East 44 perches; thence North 32(degree) East 12 perches; thence North 22(degree) East 12 perches; thence North 36 1/2(degree) East 14 perches to a corner; thence North 46(degree) West 91 perches crossing the aforesaid public road to a corner; thence South 77(degree) West 86 perches; thence South 23 1/4(degree) West 16.18 perches; thence South 43(degree) East 72.1 perches to the aforesaid public road, containing seventy (70) acres, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Gove R. Morris and wife, in and by their certain Deed dated September 20, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 453, page 73, &c.

#### VESTING DEED TRACT V.

ALL THAT certain tract, piece, or parcel of land, known as the "Turner Tract," situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, fronting on the road leading from the Town of Lewes to St. George's Chapel known as Route 285, and being more particularly described as follows, to wit:

BEGINNING at a stone on the Northwesterly side of the aforesaid road, said stone being a corner of these lands and lands of Homer L. Bryan; thence North 33 degrees 04 minutes West 1,970.9 feet along lands of Homer L. Bryan to a corner tree and corner of lands of William H. Truitt; thence along lands of William H. Truitt the following two courses: North 65 degrees 21 minutes East 1,418.6 feet to a concrete monument; thence North 32 degrees 15 minutes West through a line stump 1,067.0 feet to a stone and stob and corner for lands of Robert Swisher; thence along lands of Swisher North 89 degrees 30 minutes East 2,157.7 feet to a stone and lands of Wayne Rollins, thence along lands of Rollins South 13 degrees 19 minutes East to a stone and other lands of Rollins; thence along lands of Rollins and Preston Millman; South 32 degrees 55 minutes West 1,149.4 feet to a stone; thence South 11 degrees 37 minutes East 888.6 feet to a fence post and Route 285 aforesaid; thence along Route 285 in a Southwesterly direction such a distance as will reach the stone and place of beginning, containing 109.34

acres, be the same more or less. The above description is in accordance with a survey prepared by Albert L. Korves, Civil Engineer and Surveyor, on December 31, 1959.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Elsie B. Hudson and C. Thomas

Hudson, her husband, by Deed date February 8, 1960, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 514, Page 445, &c.

VESTING DEED TRACT VI.

ALL THAT certain piece and parcel of land situate, lying and being in Lewes and Rehoboth Hundred, located on the southerly side of the Millsboro-Lewes Highway, being more particularly described as follows, to wit:

BEGINNING at a stake located on the Southerly side of said Millsboro-Lewes Highway and in line of lands now or formerly of M. H. Graves; thence turning and running with line of lands now or formerly of M. H. Graves South 45(degree) 00 minutes East 575 feet to a fence corner; thence North 60(degree) 50 minutes East 1,339.0 feet to a point in line of lands of H. G. Knapp: thence South 29(degree) 21 minutes East 752.0 feet to a corner; thence turning and running South 60(degree) 31 minutes West 752 feet to a point; thence South 71(degree) 12 minutes West 1,620 feet to a corner in line of lands of E. N. Harmon; thence by and with the line of lands of E. N. Harmon and others North 39(degree) 48 minutes West 884 feet to the Southerly right-of-way line of the Millsboro-Lewes Highway; thence turning and running with the Southerly right-of-way line of the said Millsboro-Lewes Highway North 56(degree) 00 minutes East 1,463.0 feet to a stake in line of lands of M. H. Graves, the point and place of BEGINNING, containing 62.8 acres of land, be the same more or less, as surveyed by Albert A. Korves, Surveyor, November 11, 1963.

The above described land is subject to a road of easement as shown on a survey of the above-described lands.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Deed of Harry C. Dodd and Arzie P. Dodd, his wife, by Deed dated December 26, 1963, and recorded in the Recorder of Deeds, aforesaid, in Deed Book 568, Page 528, &c.

EXHIBIT B

[INTENTIONALLY DELETED]

EXHIBIT C

Conveyance Deed

Tax Parcel No.: \_\_\_\_\_

Prepared By and Return To:  
S. Jefferson Greenway, Esq.  
Jones Day  
1420 Peachtree Street, N.E.  
Suite 800  
Atlanta, Georgia 30309

THIS DEED, made this \_\_\_\_ day of December, 2004

BETWEEN, ROLLINS CONTINENTAL, INC., a corporation organized and existing under New York law, party of the first part,

AND

DELAWARE FARM LLC, a limited liability company organized and existing under Georgia law ("Delaware Farm"), as to a 42.15% undivided interest in the Property (as defined below), and RCTDE, LLC, a limited liability company organized and existing under Georgia law("RCTDE"), as to a 57.85% undivided interest in the Property (together Delaware Farm and RCTDE are referred to herein as party of the second part);

WITNESSETH, that the said party of the first part, for and in consideration of the sum of TEN MILLION EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS (\$10,800,000.00) lawful money of the United States of America, the receipt whereof is hereby acknowledged, hereby grants and conveys (i) unto Delaware

Farm, its successor and assigns, as tenant in common, a 42.15% undivided interest, in the following property and (ii) unto RCTDE, its successors and assigns, as tenant in common, a 57.85% undivided interest in the following property, to-wit:

ALL that certain lot piece or parcel of land lying and being situate in Lewes and Rehoboth Hundred, Sussex County, Delaware being more particularly described on "Exhibit A" attached hereto and incorporated herein by reference (the "Property").

TOGETHER WITH the non-exclusive use of the streets, utilities, open spaces and common areas located or to be located on the said lands and premises.

SUBJECT TO the matters described on "Exhibit B" attached hereto and incorporated herein by reference.

BEING a portion of the same lands and premises conveyed unto the Continental Broadcasting, Inc. by deed of Rollins, Inc., a corporation of the State of Delaware, dated October 26, 1979, and of record in the Office of the Recorder of Deeds, in and for Sussex County, in Deed Book 979 at Page 228. Rollins Continental, Inc., party of the second part herein, is successor in interest to Continental Broadcasting, Inc.

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IN WITNESS WHEREOF, the said party of the first part, by and through its authorized officer, has hereunto set its hand and seal the day and year aforesaid.

ATTEST:

ROLLINS CONTINENTAL, INC., a New York corporation

BY:

(Signature)

-----  
Harry J. Cynkus  
Treasurer and Assistant Secretary

Name:

Title:

(Corporate Seal)

GRANTEE'S ADDRESS:  
c/o RFA Management, LLC  
2801 Buford Highway, Suite 470  
Atlanta, Georgia 30329

3

STATE OF GEORGIA        )  
                            )        ss.  
COUNTY OF FULTON        )

On this, the \_\_\_\_\_ day of December, 2004, before me, a Notary Public, the undersigned officer, personally appeared Harry J. Cynkus, who acknowledged himself to be the Treasurer and Assistant Secretary of Rollins Continental, Inc., a New York corporation, and that he, in such capacity, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
\_\_\_\_\_  
Notary Public

4

EXHIBIT A

LEGAL DESCRIPTION FOR CONVEYANCE DEED

ALL OF THE FOLLOWING tracts, pieces and parcels of land situate, lying, and being in Sussex County, State of Delaware, as originally conveyed to Continental Broadcasting, Inc. by virtue of that certain Corrective Deed, dated October 26, 1979, from Rollins, Inc., as successor corporation to Rollins Broadcasting, Inc. (the "Vesting Deed"), as recorded in Deed Book 979, Page 228, in the Office of the Recorder of Deeds, in and for Sussex County, Delaware and being more particularly described therein as:

VESTING DEED TRACT II.

ALL THOSE certain tracts, pieces, or parcels of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, and the State of Delaware, and more particularly described as follows, viz: Tract No. 1 : Fronting on the public road leading from the Town of Lewes to the Town of Georgetown, known as the "Woods Farm" bounded on the West by the aforesaid public road; on the North by the "Orton Farm," on the East by lands of Dr. E. W. W. Marsh and heirs of Joseph Marsh; on the South by lands of Thomas Turner; and containing 66 acres, more or less. Tract No. 2: Known as the "Thomas Orton Farm," bounded and described as follows, to wit: on the Northwest by the public road leading from Lewes to Georgetown, on the Northeast by lands of John Wilson; on the Southeast by the said Wilson lands and the public road leading from Lewes to Millsboro; on the Southwest by lands of E. W. Marsh and Charles Robbins, the metes and bounds are as follows, to wit: BEGINNING on the Southeast side of the public road leading from Lewes to Georgetown at a corner for this land and lands of Charles Robbins and running with the center of said road North 89 3/4(degree) East 34.7 perches; and continuing with said road North 71(degree) East 208.3 perches to a corner for this land and the Wilson land; thence South 20(degree) East 100 1/4 perches; thence South 63(degree) West 96.4 perches to a corner; thence South 28(degree) East 98.8 perches to the center of the public road leading from Lewes to Millsboro; thence with center of said road South 52 1/2(degree) West 162 3/4 perches to a corner of the Marsh lands; thence North 46(degree) West 46.4 perches; thence South 76 3/4(degree) West 11.5 perches to a corner of the Robbins land; thence North 7 1/2(degree) West 121 1/4 perches to a post and the place of beginning, containing 134 acres and 100 square perches of land, be the same, more or less. Tract No. 1 and Tract No. 2 comprise one farm.

WITH THE EXCEPTION of the parcel of real estate which was conveyed unto Mahlon Graves and wife, and of record in the Office of the Recorder of Deeds, in and for Sussex County, at Georgetown, in Deed Record No. 242, Page 291, containing 3.3167 acres of land, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Robert W. Tunnell, Trustee by Deed dated May 6, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 446, Page 1, &c., as reference thereunto being had will more fully and at large appear.

VESTING DEED TRACT III.

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BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Gove R. Morris and wife, in and by their certain Deed dated September 20, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 453, page 73, &c.

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ALL THAT certain tract, piece, or parcel of land, known as the "Turner Tract," situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, fronting on the road leading from the Town of Lewes to St. George's Chapel known as Route 285, and being more particularly described as follows, to wit:

BEGINNING at a stone on the Northwesterly side of the aforesaid road, said stone being a corner of these lands and lands of Homer L. Bryan; thence North 33

degrees 04 minutes West 1,970.9 feet along lands of Homer L. Bryan to a corner tree and corner of lands of William H. Truitt; thence along lands of William H. Truitt the following two courses: North 65 degrees 21 minutes East 1,418.6 feet to a concrete monument; thence North 32 degrees 15 minutes West through a line stump 1,067.0 feet to a stone and stob and corner for lands of Robert Swisher; thence along lands of Swisher North 89 degrees 30 minutes East 2,157.7 feet to a stone and lands of Wayne Rollins, thence along lands of Rollins South 13 degrees 19 minutes East to a stone and other lands of Rollins; thence along lands of Rollins and Preston Millman; South 32 degrees 55 minutes West 1,149.4 feet to a stone; thence South 11 degrees 37 minutes East 888.6 feet to a fence post and Route 285 aforesaid; thence along Route 285 in a Southwesterly direction such a distance as will reach the stone and place of beginning, containing 109.34 acres, be the same more or less. The above description is in accordance with a survey prepared by Albert L. Korves, Civil Engineer and Surveyor, on December 31, 1959.

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Hudson, her husband, by Deed date February 8, 1960, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 514, Page 445, &c.

VESTING DEED TRACT VI.

ALL THAT certain piece and parcel of land situate, lying and being in Lewes and Rehoboth Hundred, located on the southerly side of the Millsboro-Lewes Highway, being more particularly described as follows, to wit:

BEGINNING at a stake located on the Southerly side of said Millsboro-Lewes Highway and in line of lands now or formerly of M. H. Graves; thence turning and running with line of lands now or formerly of M. H. Graves South 45(degree) 00 minutes East 575 feet to a fence corner; thence North 60(degree) 50 minutes East 1,339.0 feet to a point in line of lands of H. G. Knapp: thence South 29(degree) 21 minutes East 752.0 feet to a corner; thence turning and running South 60(degree) 31 minutes West 752 feet to a point; thence South 71(degree) 12 minutes West 1,620 feet to a corner in line of lands of E. N. Harmon; thence by and with the line of lands of E. N. Harmon and others North 39(degree) 48 minutes West 884 feet to the Southerly right-of-way line of the Millsboro-Lewes Highway; thence turning and running with the Southerly right-of-way line of the said Millsboro-Lewes Highway North 56(degree) 00 minutes East 1,463:0 feet to a stake in line of lands of M. H. Graves, the point and place of BEGINNING, containing 62.8 acres of land, be the same more or less, as surveyed by Albert A. Korves, Surveyor, November 11, 1963.

The above described land is subject to a road of easement as shown on a survey of the above-described lands.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Deed of Harry C. Dodd and Arzie P. Dodd, his wife, by Deed dated December 26, 1963, and recorded in the Recorder of Deeds, aforesaid, in Deed Book 568, Page 528, &c.

EXHIBIT B

PERMITTED EXCEPTIONS

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 other matters which a current, accurate survey or physical inspection of the Property would show.
4. Except for Excluded Matters (as hereafter defined), any matters of public record, including but not limited to, those matters set forth in Title Commitment No. 114529.52, issued by Fidelity National Title Insurance Company of New York and all the vesting deeds. As used herein, the term "Excluded Matters" shall mean any mortgages, deeds to secure debt, security agreements, mechanic's and materialmen's liens, judgment liens, tax liens and assessments, and other encumbrances that can be cured with the payment of a sum certain.

EXHIBIT D

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE (the "ASSIGNMENT"), between and among ROLLINS CONTINENTAL INC. ("ASSIGNOR"), DELAWARE FARM LLC ("DELAWARE FARM") and RCTDE, LLC ("RCTDE"; RCTDE and Delaware Farm collectively, "ASSIGNEE"):

WITNESSETH:

WHEREAS, concurrently herewith, Assignor has conveyed to Delaware Farm, as tenant in common, a 42.15% undivided interest in that certain tract of improved real property described in Exhibit "A" attached hereto (the "PROPERTY") and to RCTDE, as tenant in common, a 57.85% undivided interest in the Property;

WHEREAS, in connection with the conveyance of the Property, Assignor desires to assign that certain Lease dated January 1, 2004, between Assignor, as landlord, and Ritter Farms, as tenant (the "LEASE"), to Delaware Farm (with respect to a 42.15% undivided interest in the Lease) and to RCTDE (with respect to a 57.85% undivided interest in the Lease);

NOW, THEREFORE, for Ten and No/ 100 Dollars (\$10.00) and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, (i) Assignor does hereby assign, transfer, set over and convey to Delaware Farm a 42.15% undivided interest in the Lease and to RCTDE a 57.85% undivided interest in the Lease, and (ii) Delaware Farm and RCTDE do hereby accept the foregoing assignment and do hereby assume all of Assignor's rights, covenants, duties and obligations arising under the Lease.

IN WITNESS WHEREOF, Assignor has executed and delivered this Assignment as of the \_\_\_\_\_ day of December, 2004.

ASSIGNOR:

ROLLINS CONTINENTAL, INC.

By:

-----  
Harry J. Cynkus  
Treasurer and Assistant Secretary

[CORPORATE SEAL]

DELAWARE FARM:

DELAWARE FARM LLC

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

By:

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

RCTDE:

RCTDE, LLC

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

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

EXHIBIT A

(Legal Description)

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Hudson, her husband, by Deed date February 8, 1960, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 514, Page 445, &c.

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EXHIBIT E

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 December, 2004, by ROLLINS CONTINENTAL, INC., a New York corporation (hereinafter referred to as "SELLER"), to DELAWARE FARM LLC, a Georgia limited liability company ("DELAWARE FARM"), as to a 42.15% undivided interest in the Personality (as defined below) and Intangible Property (as defined below), and RCTDE, LLC, a Georgia limited liability ("RCTDE"), as to a 57.85% undivided interest in the Personality and Intangible Property (RCTDE, together with Delaware Farm, and their respective successors and assigns, collectively "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 Sussex County, Delaware, 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 Delaware Farm, as tenant in common, a 42.15% undivided interest in the Premises and to RCTDE, as tenant in common, a 57.85% undivided interest in 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:

(i) BILL OF SALE. Seller has granted, bargained, sold, conveyed, transferred, and delivered, and by these presents does grant, bargain, sell, convey, transfer and deliver, (a) unto Delaware Farm, as tenant in common, a 42.15% undivided interest in the Personality (as defined below) and (b) unto RCTDE, as tenant in common, a 57.85% undivided interest in the Personality. As used herein the term "PERSONALITY" shall mean all tangible personal property and fixtures of any kind (if any) owned by Seller and attached to or used in connection with the ownership, maintenance, use, leasing, service, or operation of the Premises.

(ii) ASSIGNMENT OF INTANGIBLE PROPERTY. Seller has transferred, assigned and set over, and by these presents does transfer, assign, and set over, (a) unto Delaware Farm, as tenant in common, a 42.15% undivided interest in the Intangible Property (as defined below) and (b) unto RCTDE, as tenant in common, a 57.85% undivided interest in the Intangible Property. As used herein, the term "INTANGIBLE PROPERTY" shall mean all of Seller's right, title and interest, in and under any and all intangible property of any kind (if any) owned by Seller and related to the Premises or the Personality, 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.

(iii) "AS IS" SALE. Purchaser acknowledges that the Personality 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 Personality or any warranty whatsoever, express or implied.

(iv) 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.

[BALANCE OF THIS PAGE INTENTIONALLY BLANK]

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:

-----  
Harry J. Cynkus  
Treasurer and Assistant Secretary

## PURCHASER:

DELAWARE FARM LLC

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

By:

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

## RCTDE, LLC

By: RCTLOR, LLC., its sole Member and  
Manager

By: LOR, Inc., its Manager

By:

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

## EXHIBIT "A"

## LEGAL FOR BILL OF SALE

(Legal Description)

ALL OF THE FOLLOWING tracts, pieces and parcels of land situate, lying, and being in Sussex County, State of Delaware, as originally conveyed to Continental Broadcasting, Inc. by virtue of that certain Corrective Deed, dated October 26, 1979, from Rollins, Inc., as successor corporation to Rollins Broadcasting, Inc. (the "Vesting Deed"), as recorded in Deed Book 979, Page 228, in the Office of the Recorder of Deeds, in and for Sussex County, Delaware and being more particularly described therein as:

## VESTING DEED TRACT II.

ALL THOSE certain tracts, pieces, or parcels of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, and the State of Delaware, and more particularly described as follows, viz: Tract No. 1 : Fronting on the public road leading from the Town of Lewes to the Town of Georgetown, known as the "Woods Farm" bounded on the West by the aforesaid public road; on the North by the "Orton Farm," on the East by lands of Dr. E. W. W. Marsh and heirs of Joseph Marsh; on the South by lands of Thomas Turner; and containing 66 acres, more or less. Tract No. 2: Known as the "Thomas Orton Farm," bounded and described as follows, to wit: on the Northwest by the public road leading from Lewes to Georgetown, on the Northeast by lands of John Wilson; on the Southeast by the said Wilson lands and the public road leading from Lewes to Millsboro; on the Southwest by lands of E. W. Marsh and Charles Robbins, the metes and bounds are as follows, to wit: BEGINNING on the Southeast side of the public road leading from Lewes to Georgetown at a corner for this land and lands of Charles Robbins and running with the center of said road North 89 3/4(degree) East 34.7 perches; and continuing with said road North 71 (degree) East 208.3 perches to a corner for this land and the Wilson land; thence South 20(degree) East 100 1/4 perches; thence South 63(degree) West 96.4 perches to a corner; thence South 28(degree) East 98.8 perches to the center of the public road leading from Lewes to Millsboro; thence with center of said road South 52 1/2(degree) West 162 3/4 perches to a corner of the Marsh lands; thence North 46(degree) West 46.4 perches; thence South 76 3/4(degree) West 11.5 perches to a corner of the Robbins land; thence North 7 1/2(degree) West 121 1/4 perches to a post and the place of beginning, containing 134 acres and 100 square perches of land, be the same, more or less. Tract No. 1 and Tract No. 2 comprise one farm.

WITH THE EXCEPTION of the parcel of real estate which was conveyed unto Mahlon Graves and wife, and of record in the Office of the Recorder of Deeds, in and for Sussex County, at Georgetown, in Deed Record No. 242, Page 291, containing 3.3167 acres of land, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins

Broadcasting, Inc., a Delaware corporation, by Robert W. Tunnell, Trustee by Deed dated May 6, 1955, and recorded in the Office of the Recorder of Deeds,

aforesaid, in Deed Book 446, Page 1, &c., as reference thereunto being had will more fully and at large appear.

VESTING DEED TRACT III.

ALL THAT certain tract, piece, and parcel of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, lying on both sides of the public road leading from Lewes to Millsboro and bounded and described as follows, to wit:

BEGINNING on the South side of the public road aforesaid, at a corner for these lands and lands of David Marine and running South 70(degree) East 38 perches; thence North 76 3/4(degree) East 1 1/2 perches; thence South 45 1/4(degree) East 48 perches; thence North 29 1/2(degree) East to a bend in the line; thence North 19 3/4(degree) East 44 perches; thence North 32(degree) East 12 perches; thence North 22(degree) East 12 perches; thence North 36 1/2(degree) East 14 perches to a corner; thence North 46(degree) West 91 perches crossing the aforesaid public road to a corner; thence South 77(degree) West 86 perches; thence South 23 1/4(degree) West 16.18 perches; thence South 43(degree) East 72.1 perches to the aforesaid public road, containing seventy (70) acres, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Gove R. Morris and wife, in and by their certain Deed dated September 20, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 453, page 73, &c.

VESTING DEED TRACT V.

ALL THAT certain tract, piece, or parcel of land, known as the "Turner Tract," situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, fronting on the road leading from the Town of Lewes to St. George's Chapel known as Route 285, and being more particularly described as follows, to wit:

BEGINNING at a stone on the Northwesterly side of the aforesaid road, said stone being a corner of these lands and lands of Homer L. Bryan; thence North 33 degrees 04 minutes West 1,970.9 feet along lands of Homer L. Bryan to a corner tree and corner of lands of William H. Truitt; thence along lands of William H. Truitt the following two courses: North 65 degrees 21 minutes East 1,418.6 feet to a concrete monument; thence North 32 degrees 15 minutes West through a line stump 1,067.0 feet to a stone and stob and corner for lands of Robert Swisher; thence along lands of Swisher North 89 degrees 30 minutes East 2,157.7 feet to a stone and lands of Wayne Rollins, thence along lands of Rollins South 13 degrees 19 minutes East to a stone and other lands of Rollins; thence along lands of Rollins and Preston Millman; South 32 degrees 55 minutes West 1,149.4 feet to a stone; thence South 11 degrees 37 minutes East 888.6 feet to a fence post and Route 285 aforesaid; thence along Route 285 in a Southwesterly direction such a distance as will reach the stone and place of beginning, containing 109.34 acres, be the same more or less. The above description is in accordance with a survey prepared by Albert L. Korves, Civil Engineer and Surveyor, on December 31, 1959.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Elsie B. Hudson and C. Thomas Hudson, her husband, by Deed date February 8, 1960, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 514, Page 445, &c.

VESTING DEED TRACT VI.

ALL THAT certain piece and parcel of land situate, lying and being in Lewes and Rehoboth Hundred, located on the southerly side of the Millsboro-Lewes Highway, being more particularly described as follows, to wit:

BEGINNING at a stake located on the Southerly side of said Millsboro-Lewes Highway and in line of lands now or formerly of M. H. Graves; thence turning and running with line of lands now or formerly of M. H. Graves South 45(degree) 00 minutes East 575 feet to a fence corner; thence North 60(degree) 50 minutes East 1,339.0 feet to a point in line of lands of H. G. Knapp; thence South 29(degree) 21 minutes East 752.0 feet to a corner; thence turning and running South 60(degree) 31 minutes West 752 feet to a point; thence South 71(degree) 12 minutes West 1,620 feet to a corner in line of lands of E. N. Harmon; thence by and with the line of lands of E. N. Harmon and others North 39(degree) 48 minutes West 884 feet to the Southerly right-of-way line of the Millsboro-Lewes Highway; thence turning and running with the Southerly right-of-way line of the said Millsboro-Lewes Highway North 56(degree) 00 minutes East 1,463.0 feet to a stake in line of lands of M. H. Graves, the point and place of BEGINNING, containing 62.8 acres of land, be the same more or less, as surveyed by Albert

A. Korves, Surveyor, November 11, 1963.

The above described land is subject to a road of easement as shown on a survey of the above-described lands.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Deed of Harry C. Dodd and Arzie P. Dodd, his wife, by Deed dated December 26, 1963, and recorded in the Recorder of Deeds, aforesaid, in Deed Book 568, Page 528, &c.

EXHIBIT F

CERTIFICATE OF NON-FOREIGN STATUS

TRANSFEROR'S CERTIFICATION OF NONFOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by ROLLINS CONTINENTAL, INC., a New York corporation (the "Transferor"), the undersigned hereby certifies the following on behalf of the Transferor:

1. Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations).
2. Transferor is not a disregarded entity as defined in ss. 1.1445-2(b)(2)(iii) of the Income Tax Regulations.
3. The Transferor's U.S. employer identification number is 51-0077018; and
4. The Transferor's office address is 2170 Piedmont Road, Atlanta, Georgia 30324.

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

Under penalties 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 have authority to sign this document on behalf of the Transferor.

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

ROLLINS CONTINENTAL, INC., a New York  
corporation

By:

-----  
Harry J. Cynkus  
Treasurer and Assistant Secretary

EXHIBIT G

QUITCLAIM DEED

Tax Parcel No.: \_\_\_\_\_

Prepared By and Return To:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THIS QUITCLAIM DEED, MADE THIS \_\_\_\_\_ day of \_\_\_\_\_ in the year  
of our LORD Two Thousand Four (2005)

BETWEEN, ROLLINS CONTINENTAL, INC., a New York corporation, party of the  
first part,

AND

DELAWARE FARM LLC, a limited liability company organized and existing under Georgia law ("Delaware Farm"), as to a 42.15% undivided interest in the Property (as defined below), and RCTDE, LLC, a limited liability company organized and existing under Georgia law("RCTDE"), as to a 57.85% undivided interest in the Property (together Delaware Farm and RCTDE are referred to herein as party of the second part);

WITNESSETH, that the said party of the first part, for and in consideration of the sum of TEN DOLLARS AND 00/100 (\$10.00) lawful money of the United States of America, the receipt whereof is hereby acknowledged, hereby quitclaims (i) unto Delaware Farm, its successor and assigns, as tenant in common, a 42.15% undivided interest, in the following property and (ii) unto RCTDE, its successors and assigns, as tenant in common, a 57.85% undivided interest in the following property, to-wit:

ALL that certain tract, piece and parcel of land, lying and being situate in Lewes and Rehoboth Hundred, Sussex County, Delaware being more particularly described on "Exhibit A" attached hereto and incorporated herein by reference.

BEING the same lands and premises . . .

IN WITNESS WHEREOF, the said party of the first part, by and through its authorized officer, has hereunto set its hand and seal the day and year aforesaid.

ATTEST:

ROLLINS CONTINENTAL, INC., a New York corporation

By:

(Signature)

Harry J. Cynkus  
Treasurer and Assistant Secretary

Name:

Title:

(Corporate Seal)

GRANTEE'S ADDRESS:  
c/o RFA Management, LLC  
2801 Buford Highway, Suite 470  
Atlanta, Georgia 30329

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STATE OF GEORGIA )  
                      )  
                      ss.  
COUNTY OF \_\_\_\_\_ )

On this, the \_\_\_\_\_ day of \_\_\_\_\_, 2004, before me, a Notary Public, the undersigned officer, personally appeared Harry J. Cynkus, who acknowledged himself to be the Treasurer and Assistant Secretary of Rollins Continental, Inc., a New York corporation, and that he, in such capacity, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
\_\_\_\_\_  
Notary Public

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EXHIBIT A

LEGAL DESCRIPTION FOR QUITCLAIM DEED

4

EXHIBIT H

OWNER'S AFFIDAVIT

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 Treasurer and Assistant Secretary 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 the Purchasers (as hereinafter defined) or affiliates of either entity.

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. 114529.52 issued by Fidelity National Title Insurance Company and prior to the closing of the sale of the property to DELAWARE FARM LLC, a Georgia limited liability company, and RCTDE, LLC, a Georgia limited liability company, as tenants in common ("Purchasers").

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 December, 2004

\_\_\_\_\_  
Harry J. Cynkus (Affiant)

STATE OF GEORGIA )  
                      )  
                      ss.  
COUNTY OF FULTON )

On this, the \_\_\_\_\_ day of \_\_\_\_\_, 2004, before me, a Notary Public, the undersigned officer, personally appeared Harry J. Cynkus, who acknowledged himself to be the Treasurer and Assistant Secretary of Rollins Continental, Inc., a New York corporation, and that he, in such capacity, being authorized to do so, executed the foregoing instrument for the purposes therein

contained by signing on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

---

\_\_\_\_\_  
Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION FOR OWNER'S AFFIDAVIT

ALL OF THE FOLLOWING tracts, pieces and parcels of land situate, lying, and being in Sussex County, State of Delaware, as originally conveyed to Continental Broadcasting, Inc. by virtue of that certain Corrective Deed, dated October 26, 1979, from Rollins, Inc., as successor corporation to Rollins Broadcasting, Inc. (the "Vesting Deed"), as recorded in Deed Book 979, Page 228, in the Office of the Recorder of Deeds, in and for Sussex County, Delaware and being more particularly described therein as:

VESTING DEED TRACT II.

ALL THOSE certain tracts, pieces, or parcels of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, and the State of Delaware, and more particularly described as follows, viz: Tract No. 1: Fronting on the public road leading from the Town of Lewes to the Town of Georgetown, known as the "Woods Farm" bounded on the West by the aforesaid public road; on the North by the "Orton Farm," on the East by lands of Dr. E. W. W. Marsh and heirs of Joseph Marsh; on the South by lands of Thomas Turner; and containing 66 acres, more or less. Tract No. 2: Known as the "Thomas Orton Farm," bounded and described as follows, to wit: on the Northwest by the public road leading from Lewes to Georgetown, on the Northeast by lands of John Wilson; on the Southeast by the said Wilson lands and the public road leading from Lewes to Millsboro; on the Southwest by lands of E. W. Marsh and Charles Robbins, the metes and bounds are as follows, to wit: BEGINNING on the Southeast side of the public road leading from Lewes to Georgetown at a corner for this land and lands of Charles Robbins and running with the center of said road North 89 3/4(degree) East 34.7 perches; and continuing with said road North 71(degree) East 208.3 perches to a corner for this land and the Wilson land; thence South 20(degree) East 100 1/4 perches; thence South 63(degree) West 96.4 perches to a corner; thence South 28(degree) East 98.8 perches to the center of the public road leading from Lewes to Millsboro; thence with center of said road South 52 1/2(degree) West 162 3/4 perches to a corner of the Marsh lands; thence North 46(degree) West 46.4 perches; thence South 76 3/4(degree) West 11.5 perches to a corner of the Robbins land; thence North 7 1/2(degree) West 121 1/4 perches to a post and the place of beginning, containing 134 acres and 100 square perches of land, be the same, more or less. Tract No. 1 and Tract No. 2 comprise one farm.

WITH THE EXCEPTION of the parcel of real estate which was conveyed unto Mahlon Graves and wife, and of record in the Office of the Recorder of Deeds, in and for Sussex County, at Georgetown, in Deed Record No. 242, Page 291, containing 3.3167 acres of land, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Robert W. Tunnell, Trustee by Deed dated May 6, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 446, Page 1, &c., as reference thereunto being had will more fully and at large appear.

VESTING DEED TRACT III.

ALL THAT certain tract, piece, and parcel of land, situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, lying on both sides of the public road leading from Lewes to Millsboro and bounded and described as follows, to wit:

BEGINNING on the South side of the public road aforesaid, at a corner for these lands and lands of David Marine and running South 70(degree) East 38 perches; thence North 76 3/4(degree) East 1 1/2 perches; thence South 45 1/4(degree) East 48 perches; thence North 29 1/2(degree) East to a bend in the line; thence North 19 3/4(degree) East 44 perches; thence North 32(degree) East 12 perches; thence North 22(degree) East 12 perches; thence North 36 1/2(degree) East 14 perches to a corner; thence North 46(degree) West 91 perches crossing the aforesaid public road to a corner; thence South 77(degree) West 86 perches; thence South 23 1/4(degree) West 16.18 perches; thence South 43(degree) East 72.1 perches to the aforesaid public road, containing seventy (70) acres, more or less.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Gove R. Morris and wife, in and

by their certain Deed dated September 20, 1955, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 453, page 73, &c.

VESTING DEED TRACT V.

ALL THAT certain tract, piece, or parcel of land, known as the "Turner Tract," situate, lying, and being in Lewes and Rehoboth Hundred, Sussex County, Delaware, fronting on the road leading from the Town of Lewes to St. George's Chapel known as Route 285, and being more particularly described as follows, to wit:

BEGINNING at a stone on the Northwesterly side of the aforesaid road, said stone being a corner of these lands and lands of Homer L. Bryan; thence North 33 degrees 04 minutes West 1,970.9 feet along lands of Homer L. Bryan to a corner tree and corner of lands of William H. Truitt; thence along lands of William H. Truitt the following two courses: North 65 degrees 21 minutes East 1,418.6 feet to a concrete monument; thence North 32 degrees 15 minutes West through a line stump 1,067.0 feet to a stone and stob and corner for lands of Robert Swisher; thence along lands of Swisher North 89 degrees 30 minutes East 2,157.7 feet to a stone and lands of Wayne Rollins, thence along lands of Rollins South 13 degrees 19 minutes East to a stone and other lands of Rollins; thence along lands of Rollins and Preston Millman; South 32 degrees 55 minutes West 1,149.4 feet to a stone; thence South 11 degrees 37 minutes East 888.6 feet to a fence post and Route 285 aforesaid; thence along Route 285 in a Southwesterly direction such a distance as will reach the stone and place of beginning, containing 109.34 acres, be the same more or less. The above description is in accordance with a survey prepared by Albert L. Korves, Civil Engineer and Surveyor, on December 31, 1959.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Elsie B. Hudson and C. Thomas

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Hudson, her husband, by Deed date February 8, 1960, and recorded in the Office of the Recorder of Deeds, aforesaid, in Deed Book 514, Page 445, &c.

VESTING DEED TRACT VI.

ALL THAT certain piece and parcel of land situate, lying and being in Lewes and Rehoboth Hundred, located on the southerly side of the Millsboro-Lewes Highway, being more particularly described as follows, to wit:

BEGINNING at a stake located on the Southerly side of said Millsboro-Lewes Highway and in line of lands now or formerly of M. H. Graves; thence turning and running with line of lands now or formerly of M. H. Graves South 45(degree) 00 minutes East 575 feet to a fence corner; thence North 60(degree) 50 minutes East 1,339.0 feet to a point in line of lands of H. G. Knapp; thence South 29(degree) 21 minutes East 752.0 feet to a corner; thence turning and running South 60(degree) 31 minutes West 752 feet to a point; thence South 71(degree) 12 minutes West 1,620 feet to a corner in line of lands of E. N. Harmon; thence by and with the line of lands of E. N. Harmon and others North 39(degree) 48 minutes West 884 feet to the Southerly right-of-way line of the Millsboro-Lewes Highway; thence turning and running with the Southerly right-of-way line of the said Millsboro-Lewes Highway North 56(degree) 00 minutes East 1,463.0 feet to a stake in line of lands of M. H. Graves, the point and place of BEGINNING, containing 62.8 acres of land, be the same more or less, as surveyed by Albert A. Korves, Surveyor, November 11, 1963.

The above described land is subject to a road of easement as shown on a survey of the above-described lands.

BEING the same lands and premises heretofore conveyed unto Rollins Broadcasting, Inc., a Delaware corporation, by Deed of Harry C. Dodd and Arzie P. Dodd, his wife, by Deed dated December 26, 1963, and recorded in the Recorder of Deeds, aforesaid, in Deed Book 568, Page 528, &c.

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EXHIBIT "B"

PERMITTED ENCUMBRANCES FOR THE OWNER'S AFFIDAVIT

1. Easements, restrictions and/or agreements of record in the Office of the Recorder of Deeds, in and for Sussex County, Delaware.
2. All current state and county ad valorem property taxes not yet due and payable.
3. Any matters which a current, accurate survey or physical inspection of the

property would show.

EXHIBIT "C"

LEASE EXHIBIT TO THE OWNER'S AFFIDAVIT

1. Lease dated January 1, 2004 between Seller, as lessor, and Ritter Farms, as lessee.

February 25, 2005

Mr. Henry B. Tippie  
Audit Committee Chairman  
Rollins, Inc.  
2170 Piedmont Road  
Atlanta, GA 30324

Audit Committee Members:

This letter is provided for inclusion as an exhibit to Rollins, Inc.'s Form 10-K filing pursuant to Item 601 of Regulation S-K.

We have audited the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and issued our report thereon dated February 25, 2005. Note 1 to the financial statements describes a change in accounting principle for elements of certain of its termite service contracts from immediate recognition of revenue and accrual of service costs to the deferral of income over the contract period and the recognition of the service costs as they are incurred. This method eliminates significant estimates and judgments inherent in making actuarial determinations of future costs to be incurred and recognizes revenue and related costs over the term of the service contract. It should be understood that the preferability of one method of accounting over another has not been addressed in any authoritative accounting literature and, in expressing our concurrence below, we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-K and our discussions with management as to their judgment about the relevant business factors relating to the change, we concur with management that such change represents the adoption of a preferable accounting principle in conformity with Accounting Principles Board Opinion No. 20.

Very truly yours,

/s/GRANT THORNTON LLP

List of Subsidiaries  
Rollins, Inc.

The following list sets forth the major subsidiaries of Rollins, Inc. as of February 28, 2005. Each corporation whose name is indented is a wholly owned subsidiary of the corporation next above which is not indented. Subsidiaries omitted from the list would not, if aggregated, constitute a significant subsidiary:

Corporation Name	State/Country of Incorporation
Orkin, Inc.	Delaware
Orkin Systems, Inc.	Delaware
Dettlebach Pesticide Corporation	Georgia
Kinro Investments, Inc.	Delaware
Orkin Expansion, Inc.	Delaware
Orkin International, Inc.	Delaware
PCO Services Corporation	Canada
Rollins Continental, Inc.	New York
Rollins Expansion, Inc.	Delaware
Rollins Supply, Inc.	Delaware
Western Industries - North, Inc.	Delaware
Western Industries - South, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated February 25, 2005, on the consolidated financial statements and schedule and on internal control over financial reporting included in the Annual Report of Rollins, Inc. on Form 10-K for the fiscal year ended December 31, 2004. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Rollins, Inc. on Forms S-8 (File No. 333-49308, effective November 3, 2000; File No. 33-47528, effective April 29, 1992; File No. 33-26056, effective December 13, 1988; and File No. 33-52355, effective March 13, 1994).

/s/ Grant Thornton LLP

Atlanta, Georgia  
March 11, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-49308) pertaining to the Rollins, Inc. 1998 Employee Stock Incentive Plan, Registration Statement (Form S-8 No. 33-47528) and Registration Statement (Form S-8 No. 33-26056) both pertaining to the Rollins, Inc. 401k Plan, and Registration Statement (Form S-8 No. 33-52355) pertaining to the Rollins, Inc. 1994 Employee Stock Incentive Plan, of our report dated March 15, 2004, with respect to the consolidated financial statements and schedule of Rollins, Inc. and Subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2004.

/s/ Ernst & Young LLP

Atlanta, Georgia  
March 11, 2005

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 25th day of February, 2005.

/s/ James B. Williams

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James B. Williams, Director

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 15th day of February, 2005.

/s/ Henry B. Tippie

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Henry B. Tippie, Director

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and

appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2005.

/s/ Wilton Looney  
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Wilton Looney, Director

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints R. Randall Rollins and/or Gary W. Rollins, or either of them as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 14th day of February, 2005.

/s/ Bill J. Dismuke  
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Bill J. Dismuke, Director

POWER OF ATTORNEY

Know All Men by These Presents, that the undersigned constitutes and appoints Gary W. Rollins, as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Rollins, Inc. of Form 10-K Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in  
the capacities indicated, as of this 25th day of February, 2005.

/s/ R. Randall Rollins  
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R. Randall Rollins, Director

Certifications

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

1. I have reviewed this annual report on Form 10-K 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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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: March 11, 2005

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)

## Certifications

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

1. I have reviewed this annual report on Form 10-K 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 officer(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 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: March 11, 2005

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 Annual Report on Form 10-K of Rollins, Inc. for the yearly period ended December 31, 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 annual report fairly presents, in all material respects, the financial condition and results of operations of Rollins, Inc.

Date: March 11, 2005

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: March 11, 2005

By: /s/Harry J. Cynkus

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