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

FORM 10-Q

(Mark One)

[ X ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2005.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 1-4422

ROLLINS, INC.
(Exact name of registrant as specified in its charter)

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

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

30324
(Zip Code)

(404) 888-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.
Yes [ X ] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as
defined in rule 12b-2 of the Exchange Act).
Yes [ X ] No [ ]

Rollins, Inc. had 68,664,084 shares of its $1 par value Common Stock outstanding
as of July 15, 2005.

ROLLINS, INC. AND SUBSIDIARIES

INDEX

PART I FINANCIAL INFORMATION

- 

Item 1. Financial Statements.

Consolidated Statements of Financial Position as of June 30, 2005 and
December 31, 2004 2
Consolidated Statements of Income for the Three and Six Months Ended
June 30, 2005 3
Consolidated Statements of Cash Flows for the Six Months Ended June
30, 2005 and 2004 4
Notes to Consolidated Financial Statements 5

Item 2. Management's Discussion and Analysis of Financial Condition and
Results of Operations. 15
## PART II

### OTHER INFORMATION

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item 1.</td>
<td>Legal Proceedings.</td>
</tr>
<tr>
<td>Item 2.</td>
<td>Unregistered Sales of Equity Securities and Use of Proceeds.</td>
</tr>
<tr>
<td>Item 4.</td>
<td>Submission of Matters to a Vote of Security Holders</td>
</tr>
</tbody>
</table>

### SIGNATURES

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

# PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

### ROLLINS, INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands except share and per share data)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2005</th>
<th>December 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$65,179</td>
<td>$56,737</td>
</tr>
<tr>
<td>Marketable Securities</td>
<td>629</td>
<td></td>
</tr>
<tr>
<td>Trade Receivables, Short Term, Net of Allowance for Doubtful Accounts of $3,549 and $3,712, respectively</td>
<td>48,556</td>
<td>45,469</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>8,120</td>
<td>8,876</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>29,496</td>
<td>28,355</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>10,979</td>
<td>7,368</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td>162,959</td>
<td>146,805</td>
</tr>
<tr>
<td>Equipment and Property, Net</td>
<td>57,873</td>
<td>49,163</td>
</tr>
<tr>
<td>Goodwill</td>
<td>119,476</td>
<td>119,568</td>
</tr>
<tr>
<td>Customer Contracts and Other Intangible Assets, Net</td>
<td>70,609</td>
<td>75,902</td>
</tr>
<tr>
<td>Deferred Income Taxes</td>
<td>18,544</td>
<td>13,328</td>
</tr>
<tr>
<td>Trade Receivables, Long Term, Net of Allowance for Doubtful Accounts of $1,624 and $1,589, respectively</td>
<td>10,604</td>
<td>9,755</td>
</tr>
<tr>
<td>Other Assets</td>
<td>4,142</td>
<td>4,259</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$444,207</td>
<td>$418,780</td>
</tr>
</tbody>
</table>

### LIABILITIES

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$12,405</td>
<td>$15,438</td>
</tr>
<tr>
<td>Accrued Insurance</td>
<td>16,437</td>
<td>14,963</td>
</tr>
<tr>
<td>Accrued Compensation and Related Liabilities</td>
<td>36,618</td>
<td>38,453</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>86,337</td>
<td></td>
</tr>
<tr>
<td>Accrual for Termite Contracts</td>
<td>12,399</td>
<td>81,195</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---
Other Current Liabilities 29,540
25,939
-------------------  ------
---------------
Current Liabilities 193,736
187,980
Accrued Insurance, Less Current Portion 19,226
22,667
Accrual for Termite Contracts, Less Current Portion 13,511
13,319
Accrued Pension 27,291
10,579
Long-Term Accrued Liabilities 15,241
16,686
-------------------  ------
---------------
Total Liabilities 269,005
251,231
-------------------  ------
---------------
Commitments and Contingencies

STOCKHOLDERS' EQUITY

Common Stock, par value $1 per share; 99,500,000 shares authorized; 69,687,109 and 69,060,112 shares issued, respectively 69,687
69,060
Treasury Stock, par value $1 per share; 1,083,736 shares at June 30, 2005 and 556,000 shares at December 31, 2004 (1,084) (556)
(556)
Additional Paid-In Capital 8,711
10,659
Accumulated Other Comprehensive Loss (26,850)
(16,066)
Unearned Compensation (6,553)
(3,475)
Retained Earnings 131,291
107,927
-------------------  ------
---------------
Total Stockholders' Equity 175,202
167,549
-------------------  ------
---------------
Total Liabilities and Stockholders' Equity $ 444,207 $
397,780
-------------------  ------
---------------

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

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

<table>
<thead>
<tr>
<th>Months Ended</th>
<th>Three months ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2004</td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>--------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Services</td>
<td>$ 214,326</td>
<td>$ 202,725</td>
</tr>
<tr>
<td>$ 363,141</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COSTS AND EXPENSES</td>
<td>110,594</td>
<td>105,422</td>
</tr>
<tr>
<td>Cost of Services Provided</td>
<td></td>
<td></td>
</tr>
<tr>
<td>191,964</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>6,045</td>
<td>5,764</td>
</tr>
<tr>
<td>10,421</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2
Sales, General & Administrative                                    71,294  69,149  131,577
121,917
Gain on Sale of Assets                                             (546)  (14,143) (544)
(14,142)
Pension Curtailment                                                (4,176) --- (4,176)
---
Interest Income                                                    (354)  (47)  (816)
(197)
---
182,857  166,145  347,281
309,963
---
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN
ACCOUNTING PRINCIPLE                                               31,469  36,580  50,960
53,178
---
PROVISION FOR INCOME TAXES                                         
Current                                                             14,144  10,251  19,725
14,911
Deferred                                                            (1,399)  5,438   914
7,510
---
12,745  15,689  20,639
22,421
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE  18,724  20,891  30,321
30,757
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES
OF $4,017                                                          --- --- ---
(6,204)
---
NET INCOME                                                          $ 18,724  $ 20,891  $ 30,321
$ 24,553
---
INCOME PER SHARE - BASIC                                            
Income Before Cumulative Effect of Change in Accounting Principle  0.28  0.31  0.45
0.45
Cumulative Effect of Change in Accounting Principle                --- --- ---
(0.09)
---
Net Income Per Share - Basic                                        $ 0.28  $ 0.31  $ 0.45
$ 0.36
---
INCOME PER SHARE - DILUTED                                          
Income Before Cumulative Effect of Change in Accounting Principle  0.27  0.30  0.43
0.44
Cumulative Effect of Change in Accounting Principle                --- --- ---
(0.09)
---
Net Income Per Share - Diluted                                      $ 0.27  $ 0.30  $ 0.43
$ 0.35
---
Weighted Average Shares Outstanding - Basic                         67,937  68,133  67,940
68,040
Weighted Average Shares Outstanding - Diluted                       70,029  70,180  70,046
70,072
DIVIDENDS PAID PER SHARE                                            $ 0.05  $ 0.04  $ 0.10
$ 0.08
---
<FN>
The accompanying notes are an integral part of these consolidated financial statements.
</FN>
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<CAPTION>
ROLLINS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)  
(Unaudited)  

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>$30,321</td>
<td>$24,553</td>
</tr>
<tr>
<td>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Accounting Principle, Net</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$12,008</td>
<td>$10,421</td>
</tr>
<tr>
<td>Pension Curtailment</td>
<td>$(4,176)</td>
<td>$(914)</td>
</tr>
<tr>
<td>Provision for Deferred Income Taxes</td>
<td>$714</td>
<td>$7,510</td>
</tr>
<tr>
<td>Gain on Sale of Assets</td>
<td>$(544)</td>
<td>$(14,142)</td>
</tr>
<tr>
<td>Other, Net</td>
<td>$205</td>
<td>$202</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Receivables</td>
<td>$(3,826)</td>
<td>$(7,390)</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>$761</td>
<td>$655</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$(3,594)</td>
<td>$(2,666)</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>$297</td>
<td>$(2,235)</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$4,555</td>
<td>$5,142</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>$5,142</td>
<td>$7,655</td>
</tr>
<tr>
<td>Accrued Insurance</td>
<td>$(1,967)</td>
<td>$(1,642)</td>
</tr>
<tr>
<td>Accrual for Termite Contracts</td>
<td>$599</td>
<td>$828</td>
</tr>
<tr>
<td>Long-Term Accrued Liabilities</td>
<td>$1,403</td>
<td>$(3,043)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Operating Activities</strong></td>
<td>$39,292</td>
<td>$35,772</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of Equipment and Property</td>
<td>$(14,203)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions/Dispositions of Companies, Net</td>
<td>$(1,606)</td>
<td></td>
</tr>
<tr>
<td>Marketable Securities, Net</td>
<td>$(629)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from Sale of Assets</td>
<td>$15,468</td>
<td>$749</td>
</tr>
<tr>
<td><strong>Net Cash Used in Investing Activities</strong></td>
<td>$(15,689)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
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<td></td>
</tr>
<tr>
<td>Dividends Paid</td>
<td>$(6,858)</td>
<td></td>
</tr>
<tr>
<td>Common Stock Purchased</td>
<td>$(11,105)</td>
<td></td>
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<tr>
<td>Common Stock Options Exercised</td>
<td>$2,889</td>
<td></td>
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<tr>
<td>Other</td>
<td>$756</td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Used in Financing Activities</strong></td>
<td>$(14,318)</td>
<td></td>
</tr>
<tr>
<td>Effect of Exchange Rate Changes on Cash</td>
<td>(843)</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------</td>
<td></td>
</tr>
<tr>
<td>Net Increase/(Decrease) in Cash and Cash Equivalents</td>
<td>8,442</td>
<td></td>
</tr>
<tr>
<td>(37,675)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of Period</td>
<td>56,737</td>
<td></td>
</tr>
<tr>
<td>59,540</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents at End of Period</td>
<td>$ 65,179</td>
<td></td>
</tr>
<tr>
<td>21,865</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

NOTE 1. BASIS OF PREPARATION AND OTHER

Basis of Preparation - The consolidated financial statements included herein have been prepared by Rollins, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q. These consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standard No. 94, Consolidation of All Majority-Owned Subsidiaries ("SFAS 94") and Rule 3A-02(a) of Regulation S-X. In accordance with SFAS 94 and with Rule 3A-02(a) of Regulation S-X, the Company's policy is to consolidate all subsidiaries and investees where it has voting control. The Company does not have any subsidiaries or investees where it has less than a 100% equity interest or less than 100% voting control, nor does it have any interest in other investees, joint ventures, or other variable interest entities that require consolidation under FASB interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46).

Footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements should be read in conjunction with the financial statements and related notes contained in the Company's annual report on Form 10-K for the year ended December 31, 2004.

In the opinion of management, the consolidated financial statements included herein contain all adjustments necessary to present fairly the financial position of the Company as of June 30, 2005 and December 31, 2004, the results of its operations for the three and six months ended June 30, 2005 and 2004 and cash flows for the six months ended June 30, 2005 and 2004. All such adjustments are of a normal recurring nature. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

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.

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

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

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

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

5
Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designations as of each balance sheet date. Debt securities are classified as available-for-sale because the Company does not have the intent to hold the securities to maturity. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest income. In the first quarter of 2004, the Company sold the balance of its marketable securities, the proceeds of which were used to pay the primary portion of the Western Industries, Inc. acquisition completed in the second quarter of 2004. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income. The Company's marketable securities generally consist of United States government, corporate and municipal debt securities.

Comprehensive Income (Loss)--Other Comprehensive Income (Loss) results from foreign currency translations, unrealized gain/losses on marketable securities and changes in the minimum pension liability.

New Accounting Standards--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, as modified by rule of the Securities and Exchange Commission, 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 next fiscal year that begins after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously provided under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R beginning January 1, 2006. 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 method include prospective and retrospective adoption options. Under the retrospective 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 second quarter of adoption of SFAS 123R, while the retrospective method 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.

Cumulative Effect of Change in Accounting Principle--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. Beginning fourth quarter 2004, the Company adopted a new accounting method under which 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 and no longer accrued. For noticed 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 effect adjustment of $6.2 million (net of income taxes) during the fourth quarter of 2004.

The amounts for the quarter and six months ended June 30, 2004 reported herein have been restated to reflect the effect of this accounting change as if it had occurred on January 1, 2004. A reconciliation of the restatement due to the change in accounting principle is as follows:

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

<table>
<thead>
<tr>
<th></th>
<th>Previously Reported as of June 30, 2004</th>
<th>Effect of Accounting Change</th>
<th>As of 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
----------------------|---|---|---|
| Current Assets       | 128,861 $ | (2,334) $ | 126,527 $ |
| Equipment and Property, Net | 45,313 | --- | 45,313 |
| Goodwill             | 113,853 | 3,900 | 117,753 |
| Customer Contracts   | 82,166 | (3,900) | 78,266 |
| Total Assets         | 415,208 $ | 5,247 $ | 409,961 $ |

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>14,698 $</td>
<td>(58) $</td>
<td>14,640 $</td>
</tr>
<tr>
<td>Accrued Insurance</td>
<td>13,050</td>
<td>---</td>
<td>13,050</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>33,313</td>
<td>57</td>
<td>33,370</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>58,511</td>
<td>26,425</td>
<td>84,936</td>
</tr>
<tr>
<td>Accrual For Termite Contracts</td>
<td>21,704</td>
<td>(7,066)</td>
<td>14,638</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>30,306</td>
<td>---</td>
<td>30,306</td>
</tr>
</tbody>
</table>


Current Liabilities
190,998

Accrued Insurance
26,641

Accrual For Termite Contracts
15,130

Long-Term Accrued Liabilities
20,837

Total Liabilities
253,606

Stockholder's Equity

Common Stock
45,638

Retained Earnings and Other Equity
115,964

Total Stockholders' Equity
161,602

Total Liabilities and Stockholders' Equity
$415,208

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

Three months ended
Previously
Restated
June 30, 2004

June 30, 2004

Effect of
Accounting Change

As
June 30, 2004

Revenues
$ 202,725

Cost of Services Provided
105,422

Depreciation & Amortization
5,764

Sales General & Administrative
69,155

Gain on Sales of Assets
(14,143)

Pension Curtailment
---

Interest (Income)/Expense
(47)

Total Cost & Expenses
166,145

Income Before Taxes
41,527

Provision for Income Taxes
17,717

Net Income
20,891

$ 23,810 $(2,919)
Franchising Program - Orkin had 56 franchises as of June 30, 2005, 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. Notes receivable from franchises aggregated $5.6 million, $5.2 million, and $4.7 million as of June 30, 2005, December 31, 2004, and June 30, 2004, respectively. The Company recognizes gains from the sale of customer contracts at the time they are sold to franchises and collection on the notes is reasonably assured. The Company had a net loss of approximately $0.1 million in the second quarter of 2005, due to true-up adjustments, compared to a $41,000 gain in the second quarter of 2004, and was $1.2 million for the six months ended June 30, 2005 compared to $0.9 million for the six months ended June 30, 2004, and is 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 $1.8 million, $1.6 million, and $1.5 million at June 30, 2005, December 31, 2004, and June 30, 2004, respectively. Royalties from franchises are accrued and recognized as revenues as earned on a monthly basis. Revenues from royalties were $575,000 in the second quarter of 2005 compared to $464,000 in the second quarter of 2004 and were $1.0 million for the six months ended June 30, 2005 compared to $819,000 for the six months ended June 30, 2004. The Company's maximum exposure to loss relating to the franchises aggregated $3.8 million, $3.6 million, and $3.2 million at June 30, 2005, December 31, 2004 and June 30, 2004, respectively.

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

Seasonality - The 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.

<table>
<thead>
<tr>
<th>Total Net Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>First Quarter</td>
</tr>
<tr>
<td>$183,915</td>
</tr>
<tr>
<td>$160,416*</td>
</tr>
<tr>
<td>$155,122</td>
</tr>
<tr>
<td>Second Quarter</td>
</tr>
<tr>
<td>214,326</td>
</tr>
<tr>
<td>202,725*</td>
</tr>
<tr>
<td>185,105</td>
</tr>
<tr>
<td>Third Quarter</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>203,925*</td>
</tr>
<tr>
<td>178,262</td>
</tr>
<tr>
<td>Fourth Quarter</td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>183,818</td>
</tr>
<tr>
<td>158,524</td>
</tr>
</tbody>
</table>

* Restated for change in accounting principle.

NOTE 2. EARNINGS PER SHARE

In accordance with SFAS No. 128, Earnings Per Share ("EPS"), the Company presents basic EPS and diluted EPS. Basic EPS is computed on the basis of weighted-average shares outstanding. Diluted EPS is computed on the basis of weighted-average shares outstanding plus common stock options outstanding and unvested restricted stock awards during the period which, if exercised, would have a dilutive effect on EPS. Basic and diluted EPS have been restated for the March 10, 2005, three-for-two stock split for all periods presented (See Note 1). A reconciliation of the number of weighted-average shares used in computing basic and diluted EPS is as follows:


### Three months ended June 30, 2005 and Six months ended June 30, 2005

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income available to stockholders</strong></td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
<td>&lt;C&gt;</td>
</tr>
<tr>
<td>numerator for basic and diluted earnings per share:</td>
<td>$18,724</td>
<td>$20,891</td>
<td>$30,321</td>
</tr>
<tr>
<td>Shares (denominator):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average shares outstanding</td>
<td>67,937</td>
<td>68,133</td>
<td>67,940</td>
</tr>
<tr>
<td>Effect of Dilutive securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Stock Options and Restricted Stock Awards</td>
<td>2,092</td>
<td>2,047</td>
<td>2,106</td>
</tr>
<tr>
<td>Adjusted Weighted-Average Shares (adjusted to reflect assumed exercises)</td>
<td>70,029</td>
<td>70,180</td>
<td>70,046</td>
</tr>
<tr>
<td>Per share amounts:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic earnings per common share</td>
<td>$0.28</td>
<td>$0.31</td>
<td>$0.45</td>
</tr>
<tr>
<td>Diluted earnings per common share</td>
<td>$0.27</td>
<td>$0.30</td>
<td>$0.43</td>
</tr>
</tbody>
</table>

---

The Company bought back 26,388 shares of the Company's common stock in the second quarter of 2005 under its authorized repurchase program. Rollins has had a buyback program in place for a number of years and has routinely purchased shares when it felt the opportunity was desirable. With approximately 276,000 shares left under the current program, the Board authorized the purchase of 4 million additional shares of the Company's common stock at its quarterly meeting on April 26, 2005. This authorization enables the Company to continue the purchase of Rollins, Inc. shares when appropriate, which is an important benefit resulting from the Company's strong cash flows. Accordingly, 4,249,828 shares remain authorized for purchase. The stock buy-back program has no expiration date.

**NOTE 3. CONTINGENCIES**

Orkin, one of the Company's subsidiaries, is a named defendant in Mark and Christine 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 has appealed 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.

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. Orkin is actively contesting these actions. Some lawsuits or arbitrations 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 Cynthia Garrett v. Orkin, Inc.) in which the Plaintiffs are seeking certification of a class. The cases originate in Georgia and Florida. 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.
Orkin is involved in certain environmental matters primarily arising in the normal course of business. The New York Department of Environmental Conservation filed an administrative proceeding against Orkin in March 2001, relating to reporting violations in Orkin’s Annual Report to the Department. The Department is seeking the submission of additional reports and a fine. Orkin is working closely with the Department to address the violations and finalize the matter. 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.

NOTE 4. STOCKHOLDERS’ EQUITY

During the second quarter ended June 30, 2005, the Company repurchased 26,388 shares for $0.5 million under its stock repurchase program. Also, during the second quarter ended June 30, 2005, approximately 428,000 shares of common stock were issued upon exercise of stock options by employees. For the six months ended June 30, 2005, the company has issued approximately 915,000 shares of common stock upon exercise of stock options by employees. As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company accounts for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. No stock-based employee compensation cost is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
<td>June 30,</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>Net income, as reported</td>
<td>$18,724</td>
<td>$20,891</td>
</tr>
<tr>
<td>Deduct: Total stock-based employee compensation expense</td>
<td>(146)</td>
<td>(202)</td>
</tr>
<tr>
<td>Pro forma net income</td>
<td>$18,578</td>
<td>$20,689</td>
</tr>
<tr>
<td>Earnings per share:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic-as reported</td>
<td>$0.28</td>
<td>$0.31</td>
</tr>
<tr>
<td>Basic-pro forma</td>
<td>$0.27</td>
<td>$0.30</td>
</tr>
<tr>
<td>Diluted-as reported</td>
<td>$0.27</td>
<td>$0.30</td>
</tr>
<tr>
<td>Diluted-pro forma</td>
<td>$0.27</td>
<td>$0.29</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Minimum Pension Liability</th>
<th>Foreign Currency Translation</th>
<th>Other Unrealized Gain/(Loss)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2004</td>
<td>($18,355)</td>
<td>$2,161</td>
<td>$128</td>
<td>($16,066)</td>
</tr>
<tr>
<td>Change during first six months of 2005:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE 6.  ACCRUAL FOR TERMITE CONTRACTS

The Company maintains an accrual for termite contracts representing the estimated costs of reapplications, repair claims and associated labor, chemicals, and other costs relative to termite control services performed prior to the balance sheet date.

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. Beginning fourth quarter 2004, the Company adopted a new accounting method under which 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 effect adjustment of $6.2 million (net of income taxes) during the fourth quarter of 2004.

A reconciliation of the beginning and ending balances of the accrual for termite contracts is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>June 30,</td>
</tr>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In thousands)</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$ 25,311</td>
</tr>
<tr>
<td>Effect of Change in Accounting Principle</td>
<td>---</td>
</tr>
<tr>
<td>Current Period Provision</td>
<td>9,527</td>
</tr>
<tr>
<td>Settlements, Claims and Expenditures Made During the Period</td>
<td>(8,928)</td>
</tr>
<tr>
<td>Western Pest Acquisition</td>
<td>---</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$ 25,910</td>
</tr>
</tbody>
</table>

NOTE 7.  PENSION AND POST-RETIREMENT BENEFIT PLANS

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

Components of Net Pension Benefit Cost

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30,</td>
</tr>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(In thousands)</td>
</tr>
<tr>
<td>Beginning Balance</td>
<td>$ 25,311</td>
</tr>
<tr>
<td>Effect of Change in Accounting Principle</td>
<td>---</td>
</tr>
<tr>
<td>Current Period Provision</td>
<td>9,527</td>
</tr>
<tr>
<td>Settlements, Claims and Expenditures Made During the Period</td>
<td>(8,928)</td>
</tr>
<tr>
<td>Western Pest Acquisition</td>
<td>---</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>$ 25,910</td>
</tr>
<tr>
<td></td>
<td>$ 29,768</td>
</tr>
</tbody>
</table>
(in thousands)  

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Cost</td>
<td>$1,397</td>
<td>$1,297</td>
<td>$2,794</td>
<td>$</td>
</tr>
<tr>
<td>Interest Cost</td>
<td>2,208</td>
<td>2,074</td>
<td>4,416</td>
<td></td>
</tr>
<tr>
<td>Expected Return on Plan Assets</td>
<td>(2,464)</td>
<td>(2,394)</td>
<td>(4,928)</td>
<td></td>
</tr>
<tr>
<td>Amortization of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior Service Benefit</td>
<td>(217)</td>
<td>(217)</td>
<td>(434)</td>
<td></td>
</tr>
<tr>
<td>Unrecognized Net Loss</td>
<td>1,164</td>
<td>845</td>
<td>2,328</td>
<td>1,690</td>
</tr>
<tr>
<td>SFAS 88 Curtailment Gain</td>
<td>(4,176)</td>
<td>(4,176)</td>
<td>(4,176)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(2,088)</td>
<td>$1,605</td>
<td>$4,177</td>
<td>$3,210</td>
</tr>
</tbody>
</table>

In June 2005, the Company recorded a $4.2 million non-cash curtailment adjustment in accordance with SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", ("SFAS No. 88") in connection with freezing our defined benefit pension plan, using actuarial assumptions consistent with those we used at December 31, 2004. SFAS No. 88 requires curtailment accounting if an event eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services. In the event of a curtailment, an adjustment must be recognized for the unrecognized prior service cost associated with years of service no longer expected to be rendered.

NOTE 8. RELATED PARTY TRANSACTIONS

On April 28, 2004, the Company sold real estate in Okeechobee County, Florida to LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins Inc. and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc. for $16.6 million in cash. The sale resulted in a net gain after tax of $8.1 million or $0.11 per share since the real estate had appreciated over approximately 30 years it had been owned by the Company. 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.

NOTE 9. ACQUISITIONS

On April 30, 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Western Pest Services ("Western"), and the Company's consolidated financial statements include the operating results of Western from the date of the acquisition. Neither Western nor its principals had any prior relationship with the Company or its affiliates. Western was engaged in the business of providing pest control services and the Company has continued this business. The acquisition was made pursuant to an Asset Purchase Agreement (the "Purchase Agreement") dated March 6, 2004, between Rollins, Inc. and Western Industries, Inc. and affiliates. The consideration for the assets and certain noncompetition agreements (the "Purchase Price") was approximately $106.6 million, including approximately $7.0 million of assumed liabilities. 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 purchase price to Goodwill and identifiable Intangible assets. Such valuation resulted in the allocation of $41.3 million to Goodwill and $55.2 million to other intangible assets, principally customer contracts. The finite-lived intangible assets, principally customer contracts, are being amortized over periods principally ranging from 8 to 12.5 years on a straight-lined basis.

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

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

NOTE 10. PRO FORMA FINANCIAL INFORMATION

The pro forma financial information presented below gives effect to the Western acquisition as if it had occurred as of the beginning of our fiscal year 2004. 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.

<table>
<thead>
<tr>
<th>Months Ended</th>
<th>Three Months Ended</th>
<th>Six Months Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2005</td>
<td>June 30, 2004</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>2004</td>
<td>2005</td>
<td>2004</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Services</td>
<td>$214,326</td>
<td>$210,267</td>
</tr>
<tr>
<td>$389,819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</td>
<td>$31,469</td>
<td>$41,071</td>
</tr>
<tr>
<td>56,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</td>
<td>$18,724</td>
<td>$23,549</td>
</tr>
<tr>
<td>32,513</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET INCOME</td>
<td>$18,724</td>
<td>$20,630</td>
</tr>
<tr>
<td>24,538</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EARNINGS PER SHARE - BASIC</td>
<td>$0.28</td>
<td>$0.30</td>
</tr>
</tbody>
</table>

Overview

The Company reported that revenue for the second quarter grew 5.7% to $214.3 million, compared to $202.7 million for the second quarter ended June 30, 2004. Western Pest Services, acquired April 30, 2004, had second quarter 2005 revenues of $21.2 million versus $14.7 million in 2004. Excluding revenues attributable to the Western Pest Services operations, revenues increased by 2.5%.

The Company recorded net income of $18.7 million or $0.27 per diluted share for the second quarter ended June 30, 2005, compared to $20.9 million or $0.30 per diluted share for the same period in 2004. In the second quarter of 2005, the Company curtailed Rollins, Inc.'s pension plan effective June 30, 2005 and recognized an additional $2.5 million, net of taxes, or $0.04 per diluted share in the quarter. In second quarter 2004, the Company recorded gains from sale of assets, net of taxes, of $8.1 million or $0.11 per diluted share. Excluding the impacts of the pension curtailment in 2005 and the gains on sale of assets, the Company's adjusted income for second quarter 2005 was $15.9 million, or $0.23 per diluted share, an increase of 21.1%, compared to adjusted income of $12.8 million, or $0.19 per diluted share for the same period last year. See below for a detailed reconciliation. After the adjustments described above, Rollins, Inc. continued improvement in profit over last year's second quarter, marking the Company's 22nd quarter of improved earnings results.

The Company is investing and working diligently to take Rollins and Orkin to their next level for the benefit of the Company's customers, employees and shareholders.

Training and Media Center

The Company continues to benefit from Orkin's State of the Art Training and Media Center located in Atlanta, Georgia. This center is not only used in training for the Company's people, but as a resource by various regulatory agencies and industry organizations. Recently, the Insecticide-Rodenticide Product Labeling Branch of the U.S. Environmental Protection Agency spent a day at the facility where members of the Company's staff participated with the Agency in their meeting with leading state industry regulators and the National Pest Management Association. Following their visit, all participants were very complimentary of the Company's facility and appreciative of the opportunity to use it. Rollins, Inc. is already seeing many opportunities of multi-functional consensus building as a result of the Training Center.

Centers for Disease Control

In June of last year, we announced our collaboration with the Centers for Disease Control and Prevention focusing on educational projects targeting pest-related health risks. This collaboration has gone extremely well. Earlier this year the Company worked together on publishing a Guide on Dangerous Pests that has recently been made available to all of Rollins, Inc.'s operations as a point of sale customer hand out, and it is also available to the general public as well via a web download. You can obtain a copy by accessing the Learning Center on the Orkin web site, www.orkin.com. The CDC is distributing copies to local health departments as well, and is very pleased with the results of the Company's first project.

A second initiative with the CDC involved assisting an Arizona community that was experiencing an outbreak of tick-transmitted Rocky Mountain Spotted Fever. Together with the CDC and other volunteer organizations, the Company spent three and a half days providing the services needed to control the ticks in the area.

The Company feels that these are all wonderful opportunities to do beneficial work while building the Orkin brand. Orkin is extremely pleased to have been part of this effort to protect human lives from this dangerous disease.

And lastly, the Company recently completed a public opinion survey with the CDC that was directed to get feedback on important questions regarding the public's
concern over pest-related diseases. More than 1,500 individuals participated in the survey, in which 7 out of 10 Americans (70%) expressed some level of concern over the health ramifications of pests, with more than half stating that they needed more pest-related information.

Rollins, Inc. looks forward to Orkin's ongoing work with the CDC and to providing the American public with more vitally important information regarding diseases carried by rodents and pests, while at the same time using this information to further enhance the knowledge and training of Orkin's technicians.

Industry Recognition

Orkin was awarded the National Pest Management Association's highest Quality Control designation on July 14. Recognized as a QualityPro company, Orkin had to meet all of their quality standards, including those for hiring, training, employee safety, Integrated Pest Management (IPM) practices, safe pesticide handling practices, advertising, service warranties, customer communication and state licensing. It is always reassuring when an outside authority confirms that Orkin's various company initiatives are hitting the mark. Orkin is the first large pest control company to receive the designation.

Stock Repurchase Program

In April 2005, Rollins, Inc. announced that as a result of having only 276,000 shares left under the Company's stock buyback program, the Company's Board of Directors authorized the purchase of an additional 4 million shares of our common stock. Under the Company's buy back program, on July 7, Rollins, Inc. announced that the company had purchased 26,388 shares.

Management remains focused on growing the company. Our strong balance sheet and cash flow help maintain our ability to make important acquisitions while also supporting organic growth. Rollins, Inc. continues to evaluate opportunities and make investments in the Company to ensure its employees have the best resources available to provide extraordinary service to the Company's commercial and residential customers.

Reconciliation

As noted above, in the second quarter Rollins, Inc. reported net income of $18.7 million, or $0.27 per diluted share, compared to $20.9 million or $0.30 per diluted share for the same period in 2004. Excluding an adjustment in the second quarter of 2005 related to our pension plan curtailment, as the Company froze future benefit accruals effective June 30, 2005, and a substantial gain in the second quarter of 2004 related to the sales of assets the Company's net income for the second quarter was $15.9 million, or $.23 per diluted share, an increase of 21.1%, compared to net income of $12.8 million, or $.19 per diluted share for the same period last year. To help the reader better compare prior year to current year we have provided the reconciliation of earnings less adjustments:

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter</th>
<th>2005</th>
<th>2004</th>
<th>(Worse)</th>
<th>% Better/ % Better/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Before Income Taxes</td>
<td>$ 31,469</td>
<td>$ 36,580</td>
<td>$(5,111)</td>
<td>(14.0)%</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Curtailment</td>
<td>$ 4,176</td>
<td>---</td>
<td>$ 4,176</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on Sale of Assets</td>
<td>$ 546</td>
<td>$14,143</td>
<td>$(13,597)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$26,747</td>
<td>$22,437</td>
<td>$ 4,310</td>
<td>19.2%</td>
<td></td>
</tr>
</tbody>
</table>

Income Before Income Taxes, Excluding Gain on Sale of Assets and Pension Plan Curtailment

<table>
<thead>
<tr>
<th></th>
<th>$18,724</th>
<th>$20,891</th>
<th>$(2,167)</th>
<th>(10.4)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on Sale of Assets</td>
<td>$ 546</td>
<td>$14,143</td>
<td>$(13,597)</td>
<td></td>
</tr>
<tr>
<td>Pension Curtailment</td>
<td>$ 4,176</td>
<td>---</td>
<td>$ 4,176</td>
<td></td>
</tr>
<tr>
<td>Provision for Income Taxes on Gains</td>
<td>$(1,912)</td>
<td>$(6,063)</td>
<td>$ 4,151</td>
<td></td>
</tr>
<tr>
<td>Adjusted Income, Excluding Gain on Sale of Assets and Pension Plan Curtailment</td>
<td>$ 15,914</td>
<td>$12,811</td>
<td>$ 3,103</td>
<td>24.2%</td>
</tr>
</tbody>
</table>
Earnings Per Share - Diluted                                      $    0.27   $     0.30 $      (0.03)     (10.0)%
Less:
  Gain on Sale of Assets                                              0.00         0.20        (0.20)
  Pension Curtailment                                                 0.06          ---         0.06
  Provision for Income Taxes on Gains                                (0.02)       (0.09)        0.07
-----------------------------------------------
Earnings Per Share - Diluted, Excluding Gain on Sale of
Assets and Pension Plan Curtailment                              $     0.23   $     0.19 $       0.04       21.1%
=====================================================================
Average Shares Outstanding - Diluted                                 70,029       70,180         (151)
</TABLE>

The Company's revenue for second quarter 2005, including Western Pest Services rose 5.7% to $214.3 million, compared to $202.7 million for the second quarter of 2004. Western acquired on April 30, 2004 had revenues of $21.2 million for Rollins, Inc.'s second quarter 2005, compared to revenues of $14.3 million for second quarter 2004. Excluding Western, revenues increased 2.5% quarter over quarter.

Revenue, excluding that attributable to Western Pest Services, Rollins Supply and Dettelbach, is presented and deemed useful by management in order to present the Company's 2005 results as more readily comparable to its 2004 results. The Company's 2004 numbers do not include revenue attributable to the Western operations prior to April 30, 2004, the date it was acquired, and include revenue attributable to Rollins Supply, which was partially divested during the third quarter 2004 and Dettelbach, which was divested during the third quarter of 2004.

17

</TABLE>

Reconciliation
Revenue Excluding Western Pest Services and Rollins Supply/Dettelbach

<table>
<thead>
<tr>
<th></th>
<th>Second Quarter 2005</th>
<th>$ Better/</th>
<th>% Better/</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
<td>(Worse)</td>
</tr>
<tr>
<td>Total Net Revenues</td>
<td>$ 214,326</td>
<td>$ 202,725</td>
<td>$ 11,601</td>
</tr>
<tr>
<td>Less: Western Acquisition</td>
<td>21,170</td>
<td>14,286</td>
<td>6,884</td>
</tr>
<tr>
<td>Revenue Excluding Western Pest Services</td>
<td>$ 193,156</td>
<td>$ 188,439</td>
<td>$ 4,717</td>
</tr>
<tr>
<td>Less: Rollins Supply/Dettelbach</td>
<td>32</td>
<td>840</td>
<td>(807)</td>
</tr>
<tr>
<td>Revenue Excluding Western Pest Services and Rollins Supply/Dettelbach</td>
<td>$ 193,124</td>
<td>$ 187,599</td>
<td>$ 5,524</td>
</tr>
</tbody>
</table>

Year to date Rollins, Inc.'s commercial revenue represents 39.6% of total revenues, residential pest control 37.1% and termite 22.4%

This quarter's growth in Rollins, Inc.'s business excluding Western saw revenues from the Company's Commercial business increase 6.5%.

Rollins, Inc.'s residential pest control business growth was 1.9%. The slower growth in pest control was impacted by several items. The quarter got off to a slow start due to unusually cold weather. As reported by SDI/Weather Trends Inc., the nation experienced the coldest April in 5 years and the coldest May in 22 years. Additionally the Company's revenue was negatively impacted by a strategic decision, involving the reduction of the Company's summer sales program. The summer creative solicitation program is a high cost sales program that management has chosen to scale back. The Company also reduced Orkin's sales team in the Mid-West, by transferring more customer inquiries to their new call center. This action substantially reduced Orkin's cost of sales at the cost of giving up some marginal business.

The termite business declined .5% this quarter. Even with the cold weather Orkin saw an increase in new completions but this was offset by a decrease in renewals. The Company has a team reviewing termite offerings and is addressing action steps to reverse this decline.

Gross margin for the second quarter 2005 was 48.4%, compared to gross margin of
48.0% for second quarter 2004. The improved margins are mainly attributable to continued reductions in our Material and Supply cost, the result of our Univar national distribution agreement. This was partially offset by an increase in our insurance, claims and litigation expense, as well as by Western's higher Cost of Services Provided as a percentage of revenues particularly in their fleet and material and supply cost.

Sales and Administrative cost declined as a percentage of revenue from 34.1% of revenue to 33.3%. The remainder of the improvement was mainly attributable to lower sales costs due to both reductions in our summer sales program as well as organizational changes as we have reduced the sales force in some areas as the Company added regional call centers.

The quarter was also impacted by the Company's decision to curtail its pension plan. In 2002, the Company closed new employee entry into our pension plan while improving the 401(k) company match. After exploring a variety of ways to better deliver employee retirement benefits, and based on feedback from employees as well as the Company's Human Resource consultants, Rollins, Inc. decided to make some changes to its retirement plans. As a result the Company has ceased all further benefit accruals in the Rollins, Inc. Retirement Income Plan, while at the same time the Company has chosen to further increase the company matching contribution to the 401(k) plan. In addition, special consideration will be given to the Company's older and longer termed employees that are in the pension plan with an additional company contribution for a period up to five years.

Depreciation and amortization increased, reflecting a full quarter this year of additional amortization of intangibles related to the Western acquisition. The amortization represents a significant non-cash charge to the income statement. Total amortization expense for 2005 is expected to be approximately $12.3 million, versus $10.9 million in 2004. It will represent a charge of approximately 18 cents pre-tax and 11 cents after tax to GAAP EPS this year, and as a result our cash flow is substantially greater than reported net income.

The Company's balance sheet remains strong with cash and cash equivalents of $65.2 million. This is after having reinvested the $10.3 million gain from the sale of land in fourth quarter 2004 by purchasing twelve properties through 1031 tax-free exchanges. The Company purchased these leased branch locations and a building to house our West Coast division office, reducing the Company's tax on the transaction greatly.

Rollins, Inc.'s strong cash positions enables the Company to invest in its business infrastructure and to take advantage of future acquisitions that meet the Company's requirements.

### Results of Operations

<table>
<thead>
<tr>
<th>% Better/ (Worse) as Compared to Same Quarter in Prior Year</th>
<th>Three months ended June 30,</th>
<th>Six months ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$214,326</td>
<td>$398,241</td>
</tr>
<tr>
<td>Costs: Cost of Services Provided</td>
<td>110,594</td>
<td>209,232</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>6,045</td>
<td>12,008</td>
</tr>
<tr>
<td>Sales, General and Administrative</td>
<td>71,294</td>
<td>131,577</td>
</tr>
<tr>
<td>Gain on Sale of Assets</td>
<td>(546)</td>
<td>(544)</td>
</tr>
<tr>
<td>Pension Curtailment</td>
<td>(4,176)</td>
<td>(4,176)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>(354)</td>
<td>(816)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Income Before Income Taxes</td>
<td>31,469</td>
<td>50,960</td>
</tr>
<tr>
<td>Provision for Income Taxes</td>
<td>12,745</td>
<td>20,639</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>
Income Before Cumulative Effect of Change in Accounting Principle  

<table>
<thead>
<tr>
<th></th>
<th>18,724</th>
<th>20,891</th>
<th>(10.4)</th>
<th>30,321</th>
<th>30,757</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Effect of Change in Accounting Principle</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>(6,204)</td>
<td>100.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Income  

<table>
<thead>
<tr>
<th></th>
<th>$18,724</th>
<th>$20,891</th>
<th>(10.4)%</th>
<th>$30,321</th>
<th>$24,553</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 performed prior to the balance sheet date. It is significant that the number of claims has decreased in recent years due to changes in the Company's business practices. 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 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 an actuarial 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 estimates. This is particularly true with respect to future losses, which 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 in the individual units of accounting. At the inception of a new baiting service 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. Beginning fourth quarter 2004, the Company adopted a new accounting method under which, 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 and are no longer accrued. For
noted 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 effect adjustment of $6.2 million (net of income taxes) during the fourth quarter of 2004.

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 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 next fiscal year that begins 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 beginning January 1, 2006. 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 options. Under the retrospective 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 retrospective methods would record compensation expense for all unvested stock options and restricted stock beginning with the second 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 | Six months ended June 30, |
| (in thousands) | 2005 | 2004 |
| Net Cash Provided by Operating Activities | $ 39,292 | $ 35,772 |
| Net Cash Provided By/(Used) in Investing Activities | (15,689) | (69,572) |
| Net Cash Used in Financing Activities | (14,318) | (69,572) |
| Effect of Exchange Rate on Cash | (843) | 13 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | $ 8,442 | $(37,675) |

The Company believes its current cash and cash equivalents balances, future cash flows from operating activities and available borrowings under its $70.0 million credit facilities will be sufficient to finance its current operations and obligations, and fund expansion of the business for the foreseeable future and the acquisition of other select pest control businesses. The Company's operating activities generated net cash of $39.2 million for the six months ended June 30, 2005, compared with cash provided by operating activities of $35.8 million for the same period in 2004.
the purchase of up to 4 million additional shares of the Company's common stock. The Company plans to repurchase shares at times and prices considered appropriate by the Company. There is no expiration date for the share repurchase program. The share repurchase program is in addition to the Company's existing plan to repurchase 4.5 million shares, of which 249,828 shares remain available for repurchase.

The Company invested approximately $14.2 million in capital expenditures during the first six months of 2005, compared to $13.8 million during the same period in 2004, and expects to invest between $11.0 million and $13.0 million for the remainder of 2005. Capital expenditures for the first six months consisted primarily of building purchases and the purchase of equipment replacements and upgrades and improvements to the Company's management information systems. During the first six months, the Company made acquisitions totaling $1.6 million, compared to $103.2 million during the same period in 2004 when the Company acquired Western Pest. Acquisitions were funded by cash on hand. A total of $6.9 million was paid in cash dividends ($0.10 per share) during the first six months of 2005, compared to $5.5 million or $0.08 per share during the same period in 2004. The Company repurchased 667,698 shares of Common Stock in the first six months of 2005 and there remain 249,828 shares authorized to be repurchased, in addition to the 4 million shares. The capital expenditures and cash dividends were funded entirely through existing cash balances and operating activities. The Company maintains $70.0 million of credit facilities with commercial banks, of which no borrowings were outstanding as of June 30, 2005 or July 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.

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

On April 28, 2004, the Company sold real estate in Okeechobee County, Florida to LOR, Inc., a company controlled by R. Randall Rollins, Chairman of the Board of Rollins, Inc. and Gary W. Rollins, Chief Executive Officer, President and Chief Operating Officer of Rollins, Inc. for $16.6 million in cash. The sale resulted in a net gain after tax of $8.1 million or $0.11 per share since the real estate had appreciated over approximately 30 years it had been owned by the Company. 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 of 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.

On April 30, 2004, the Company acquired substantially all of the assets and assumed certain liabilities of Western Pest Services ("Western"), and the Company's consolidated financial statements include the operating results of Western from the date of the acquisition. Neither Western nor its principals had any prior relationship with the Company or its affiliates. Western was engaged in the business of providing pest control services and the Company has continued this business. The acquisition was made pursuant to an Asset Purchase Agreement (the "Western Agreement") dated March 8, 2004, between Rollins, Inc. and Western Pest Services. The consideration for the assets and certain noncompetition agreements (the "Purchase Price") was for approximately $106.6 million, including approximately $7.0 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 purchase price to Goodwill and identifiable Intangible assets. Such valuation resulted in the allocation of $41.3 million to Goodwill and $55.2 million to other intangible assets, principally customer contracts. The finite-lived intangible assets, principally customer contracts, are being amortized over periods principally ranging from 8 to 12.5 years on a straight-lined basis.

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

Prior to the acquisition, Western Pest Services was recognized as a premier pest control business and ranked as the 8th largest company in the industry. Based in Parsippany, NJ, the Company provides pest elimination and prevention to homes and businesses to over 130,000 customers from New York to Virginia with additional operations in Georgia and Florida. Western is primarily a commercial pest control service company and its existing businesses complement most of the services that Orkin offers, in an area of the country in which Orkin has not been particularly strong, the Northeast. The Company's consolidated statements of income include the results of operations of Western for the period beginning after May 1, 2004 through June 30, 2005.

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 cases and the Garrett arbitration. For further discussion, see the Contingencies section in the notes to the Company financial statements set forth under Item 1 of Part I above.

Impact of Recent Accounting Pronouncements

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 December 15, 2005, with early adoption encouraged. The pro formas permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the first quarter of fiscal 2006, beginning January 1, 2006. 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 retrospective adoption options. Under the prospective 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 retrospective methods would record compensation expense for all unvested stock options and restricted stock beginning with the second 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 Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding future contributions of Western, expected contributions of the commercial business segment and the success of the pilot program using hand-held computers and software, and the outcome of litigation arising in the ordinary course of business and the outcome of other litigation, as discussed in the Contingencies section, on the Company's financial position, results of operations and liquidity; the adequacy of the Company's assets and obligations; the Company's projection of 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 pending 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. A
more detailed discussion of potential risks facing the Company can be found in
the Company's Report on Form 10-K filed with the Securities and Exchange

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of June 30, 2005, the Company maintained an investment portfolio (included in
Cash and Cash Equivalents) subject to short-term interest rate risk exposure. The
Company has been affected by the impact of lower interest rates on interest
income from its short-term investments. The Company is also subject to interest
rate risk exposure through borrowings on its $70.0 million credit facilities. Due
to the absence of such borrowings as of June 30, 2005, this risk was not
significant in the first six months of 2005 and is not expected to have a
material effect upon the Company's results of operations or financial position
going forward. The Company is also exposed to market risks arising from changes
in foreign exchange rates. The Company believes that this foreign exchange rate
risk will not have a material effect upon the Company's results of operations
going forward. There have been no material changes to the Company's market risk
exposure since the end of fiscal year 2004.

Item 4. Controls and Procedures.

Under the supervision and with the participation of our Management, including
our principal executive officer and principal financial officer, we conducted an
evaluation of the effectiveness of the design and operation of our disclosure
controls and procedures, as defined in rules 13a-15(e) and 15d-15(e) under the
Securities Exchange Act of 1934, as of June 30, 2005. Based on this evaluation,
our principal executive officer and principal financial officer concluded that
our disclosure controls and procedures were effective at the reasonable
assurance level such that the material information relating to Rollins, Inc.,
including our consolidated subsidiaries, and required to be included in our
Securities and Exchange Commission ("SEC") reports is recorded, processed,
summarized and reported within the time periods specified in SEC rules and forms
and was made known to them by others within those entities, particularly during
the period when this report was being prepared.

In addition, Management's quarterly evaluation identified no changes in our
internal control over financial reporting during the second quarter that
materially affected, or are reasonably likely to materially affect, our internal
control over financial reporting. As of June 30, 2005, we did not identify any
material weaknesses in our internal controls, and therefore no corrective
actions were taken.

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.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

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

<table>
<thead>
<tr>
<th>Month</th>
<th>Total Number of Shares Purchased as Part of Publicly Announced Be</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1 to 30, 2005</td>
<td>60,344</td>
</tr>
<tr>
<td>Average Price</td>
<td>$19.40</td>
</tr>
<tr>
<td>Repurchase Plan(2)</td>
<td>---</td>
</tr>
</tbody>
</table>

PART II OTHER INFORMATION

(2.) These shares were repurchased under the plan to repurchase up to 4.5 million shares (post all stock splits) announced October 28, 1997. At the April 26, 2005 Board of Directors meeting, the Board of Directors of Rollins, Inc. authorized the purchase of an additional number of up to 4 million shares of the Company's common stock. These plans have no expiration dates.

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

Because the Company's directors have staggered three-year terms, Messrs. Wilton Looney, Bill J. Dismuke, Gary W. Rollins and Henry B. Tippie continue to serve as directors of the Company but were not up for reelection at the Company's Annual Meeting of Stockholders on April 26, 2005.

The Company's Annual Meeting of Stockholders was held on April 26, 2005. At the meeting, stockholders voted on a proposal to elect two Class I Directors for the three-year term expiring in 2008. Each nominee for Class I Director was elected by a vote of the stockholders as follows:

<table>
<thead>
<tr>
<th>Election of Class I Directors:</th>
<th>For</th>
<th>Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Randall Rollins</td>
<td>63,606,183</td>
<td>982,832</td>
</tr>
<tr>
<td>James B. Williams</td>
<td>63,262,739</td>
<td>1,326,276</td>
</tr>
</tbody>
</table>


(a) Exhibits

(3) (i) (A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981.


(C) Certificate of Change of Location of Registered Office and of Registered Agent dated March 22, 1994.

(ii) Amended and Restated By-laws of Rollins, Inc., incorporated herein by reference to Exhibit (3) (iii) as filed with the registrant's Form 10-Q for the quarterly period ended June 30, 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)(j) Rollins, Inc. Deferred Compensation Plan

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

ROLLINS, INC.
(Registrant)

Date: July 29, 2005        By: /s/ Gary W. Rollins
----------------------------------------------
Gary W. Rollins
Chief Executive Officer, President
and Chief Operating Officer
(Member of the Board of Directors)
(Principal Executive Officer)

Date: July 29, 2005        By: /s/ Harry J. Cynkus
----------------------------------------------
Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
RESTATED CERTIFICATE OF INCORPORATION OF ROLLINS, INC.

PREAMBLE. This is the Restated Certificate of Incorporation of Rollins, Inc., a corporation organized and existing under and by virtue of the laws of the State of Delaware. It restates and integrates and does not further amend the provisions of the corporation’s Certificate of Incorporation as theretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation, except that, in accordance with Delaware law, the provisions naming the original incorporators have been omitted. Rollins, Inc. was originally incorporated as Rollins Broadcasting, Inc. Rollins Broadcasting, Inc. filed its original Certificate of Incorporation in the State of Delaware on February 24, 1948. This Restated Certificate of Incorporation was reviewed and duly adopted by the Board of Directors of Rollins, Inc. in accordance with Section 245 of the Delaware General Corporation Law, as amended.

FIRST. The name of this Corporation is ROLLINS, INC.

SECOND. Its registered office in the State of Delaware is located at No. 100 West Tenth Street, in the city of Wilmington, County of New Castle, and its registered agent in charge thereof is The Corporation Trust Company.

THIRD. The nature of the business and the objects and purposes to be transacted, promoted and carried on are to do any or all of the things herein mentioned as fully and to the same extent as natural persons might or could do, and in any part of the world, viz.: To own, maintain and operate one or more radio broadcasting stations in the State of Delaware, or elsewhere, when and if authorized to do so, by the appropriate agencies of the United States Government.

To purchase, take, own, hold, deal in, mortgage or otherwise lien and to lease, sell, exchange, convey, transfer or in any manner whatever dispose of real property, within or without the State of Delaware.

To manufacture, purchase or otherwise acquire and to hold, own, mortgage or otherwise lien, pledge, lease, sell, assign, exchange, transfer or in any manner dispose of, and to invest, deal and trade in and with goods, wares, merchandise and personal property of any and every class and description, within or without the State of Delaware.

To acquire the good will, rights and property and to undertake the whole or any part of the assets and liabilities of any person, firm, association or corporation, to pay for the same in cash, the stock of this company, bonds or otherwise; to hold or in any manner to dispose of the whole or any part of the property so purchased; to conduct in any lawful manner the whole or any part of any business so acquired and to exercise all the powers necessary or convenient in and about the conduct and management of such business.

To guarantee, purchase or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of the capital stock, bonds or other evidences of indebtedness created by other corporations and while the holder of such stock to exercise all the rights and privileges of ownership, including the right to vote thereon, to the same extent as a natural person might or could do.

To purchase or otherwise acquire, apply for, register, hold, use, sell or in any manner dispose of and to grant licenses or other rights in and in any manner deal with patents, inventions, improvements, processes, formulas, trade-marks, trade names, rights and licenses secured under letters patent, copyrights or otherwise.

To enter into, make and perform contracts of every kind for any lawful purpose, with any person, firm, association or corporation, town, city, county, body politic, state, territory, government or colony or dependency thereof.

To borrow money for any of the purposes of the corporation and to draw, make, accept, endorse, discount, execute, issue, sell, pledge or otherwise dispose of promissory notes, drafts, bills of exchange, warrants, bonds, debentures or other negotiable, transferable or non-transferable instruments and evidences of indebtedness and to secure the payment thereof and the interest thereon by mortgage or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation at the time owned or thereafter acquired.

To purchase, hold, sell and transfer the shares of its capital stock.
To have one or more offices and to conduct any or all of its operations and business and to promote its objects, within or without the State of Delaware, without restriction as to place or amount.

To carry on any other business in connection therewith.

To do any or all of the things herein set forth as principal, agent, contractor, trustee or otherwise, alone or in company with others.

To engage in the business of broadcasting by means of radio and any and all other means of wireless communications including television, facsimile, and both amplitude and frequency modulation; to own and operate a radio station or stations; to employ, engage, train, present, or otherwise utilize artists, performers, singers, speakers, lecturers, musicians, actors, specialty performers, entertainers, expert technicians or such other talent and assistants as may be necessary, useful or advantageous in the conduct of any business of this corporation; upon its own behalf or upon the behalf of others, to arrange, present, produce, and to broadcast through its own radio station or through a chain of radio stations, programs of entertainment, amusement, education or otherwise and to make any and all contracts or arrangements and to provide all facilities necessary, useful or advantageous in the operation of a radio station or stations.

To manufacture, construct, purchase, sell, lease, install, own, operate, repair, maintain and otherwise deal in and deal with radio broadcasting apparatus, television transmitting or receiving apparatus, and equipment, sets, accessories, parts, and instruments of all kinds and descriptions, and any and all things used in connection with radio transmission, broadcasting, receipt and communication of any kind or description.

The objects and purposes specified herein shall be regarded as independent objects and purposes and, except where otherwise expressed, shall be in no way limited nor restricted by reference to or inference from the terms of any other clause or paragraph of this certificate of incorporation.

The foregoing shall be construed both as objects and powers and the enumeration thereof shall not be held to limit or restrict in any manner the general powers conferred on this corporation by the laws of the State of Delaware.

FOURTH. The total number of shares of stock which this corporation shall have authority to issue is One Hundred Million (100,000,000) shares, divided into two classes, namely, Preferred Stock and Common Stock. The number of shares of Preferred Stock which this corporation is authorized to issue is Five Hundred Thousand (500,000) shares without par value, and the number of shares of Common Stock which this corporation is authorized to issue is Ninety-Nine Million Five Hundred Thousand (99,500,000) shares of the par value of One Dollar ($1.00) per share.

There is hereby expressly granted to the Board of Directors of the corporation the power and authority to issue the Preferred Stock as a class without series, or if so determined from time to time, in one or more series, and to fix the voting rights, the designations, preferences and relative, participating, optional or other special rights of the class of the Preferred Stock or of one or more series thereof and the qualifications, limitations or restrictions thereof with respect to the Preferred Stock authorized herein in a resolution or resolutions adopted by the Board of Directors providing for the issue of said stock. The holders of Preferred Stock shall have no preemptive rights to subscribe for any shares of any class of stock of the corporation whether now or hereafter authorized.

The Board of Directors is further authorized to provide that the Preferred Stock, when issued, may be convertible into or exchangeable for shares of any other class or classes of stock of the corporation or of any series of the same at such price or prices or rates of exchange and with such adjustments as shall be stated and expressed in the resolution or resolutions providing for the issue of such Preferred Stock adopted by the Board of Directors as hereinabove provided.

Each and every resolution adopted by the Board of Directors providing for the issuance of the Preferred Stock as a class or in series within such class from time to time shall be, under certificate of the proper officers of the corporation, filed with the Secretary of State of Delaware and a certified copy thereof shall be recorded in the same manner as certificates of incorporation are required to be filed and recorded.

No holder of Common Stock shall be entitled as such, as a matter of right, to subscribe for or to purchase any part of any new or additional issue of stock of any class whatsoever.

FIFTH. The minimum amount of capital with which it will commence business is one thousand dollars ($1,000).
SIXTH. This corporation is to have perpetual existence.

SEVENTH. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

EIGHTH. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the board of directors is expressly authorized:

To make, alter, amend and repeal the by-laws;

To set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to alter or abolish any such reserve; to authorize and cause to be executed mortgages and liens upon the property and franchises of this corporation;

To designate, by resolution passed by a majority of the whole board, one or more committees, each to consist of two or more directors, which committees, to the extent provided in such resolution or in the by-laws of the corporation, shall have and may exercise any or all of the powers of the board of directors in the management of the business and affairs of this corporation and have power to authorize the seal of this corporation to be affixed to all papers which may require it;

From time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the books and accounts of this corporation, or any of them other than the stock ledger, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account or book or document of the corporation, except as conferred by law or authorized by resolution of the directors or of the stockholders.

To sell, lease or exchange all of its property and assets, including its good-will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, when and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power.

This corporation may in its by-laws confer powers additional to the foregoing upon the directors, in addition to the powers and authorities expressly conferred upon them by law.

NINTH. If the by-laws so provide, the stockholders and directors shall have power to hold their meetings, to have an office or offices and to keep the books of this corporation (subject to the provisions of the statute) outside of the State of Delaware at such places as may from time to time be designated by the by-laws or by resolution of the directors.

TENTH. This corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed by law and all rights conferred on officers, directors and stockholders herein are granted subject to this reservation.

ELEVENTH. Any action required or permitted to be taken at an annual or special meeting of stockholders shall be taken only at such a meeting and shall not be taken by the written consent of stockholders in lieu of a meeting.

IN WITNESS WHEREOF, Rollins, Inc. has caused this Restated Certificate of Incorporation to be signed by R. Randall Rollins, its President, and attested by H. Tim Crow, its Secretary, this 28 day of July, 1981.

ATTEST: ROLLINS, INC.

By: /s/ H. Tim Crow
--------------------------
H. Tim Crow, Secretary

By: /s/ R. Randall Rollins
--------------------------
R. Randall Rollins, President

[SEAL]
CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE
AND OF REGISTERED AGENT

It is hereby certified that:

1. The name of the corporation (hereinafter called the "corporation") is ROLLINS, INC.

2. The registered office of the corporation within the State of Delaware is hereby changed to 32 Loockerman Square, Suite L-100, City of Dover 19901, County of Kent.

3. The registered agent of the corporation within the State of Delaware is hereby changed to The Prentice-Hall Corporation System, Inc., the business office of which is identical with the registered office of the corporation as hereby changed.

4. The corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.


/s/ Gary W. Rollins
GARY W. ROLLINS President

Attest:

/s/ Gene L. Smith
GENE L. SMITH Secretary
# Deferred Compensation Plan

Rollins, Inc.

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**Plan Document**

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**Effective July 1, 2005**

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**Table of Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Document</td>
<td>1</td>
</tr>
<tr>
<td>Purpose</td>
<td>1</td>
</tr>
<tr>
<td>Article 1 - Definitions</td>
<td>1</td>
</tr>
<tr>
<td>Article 2 - Selection/Enrollment/Eligibility</td>
<td>7</td>
</tr>
<tr>
<td>2.1 Eligibility</td>
<td>7</td>
</tr>
<tr>
<td>2.2 Enrollment Requirements</td>
<td>7</td>
</tr>
<tr>
<td>2.3 Commencement of Participation</td>
<td>7</td>
</tr>
<tr>
<td>2.4 Termination of Participation and/or Deferrals</td>
<td>8</td>
</tr>
<tr>
<td>Article 3 - Deferral Commitments/Company Contributions/Crediting/Taxes</td>
<td>8</td>
</tr>
<tr>
<td>3.1 Minimum Deferral</td>
<td>8</td>
</tr>
<tr>
<td>3.2 Maximum Deferral</td>
<td>8</td>
</tr>
<tr>
<td>3.3 Election to Deferr/Change in Election</td>
<td>9</td>
</tr>
<tr>
<td>3.4 Withholding of Annual Deferral Amount</td>
<td>10</td>
</tr>
<tr>
<td>3.5 Annual Company Discretionary Amount</td>
<td>11</td>
</tr>
<tr>
<td>3.6 Annual Company Discretionary Benefit Restoration Amount</td>
<td>11</td>
</tr>
<tr>
<td>3.7 Vesting</td>
<td>12</td>
</tr>
<tr>
<td>3.8 Crediting/Debting of Account Balances</td>
<td>13</td>
</tr>
<tr>
<td>3.9 FICA and Other Taxes</td>
<td>16</td>
</tr>
<tr>
<td>3.10 Distributions</td>
<td>17</td>
</tr>
<tr>
<td>Article 4 - Short-Term Payout/Unforeseeable Financial Emergencies</td>
<td>17</td>
</tr>
<tr>
<td>4.1 Short-Term Payout</td>
<td>17</td>
</tr>
<tr>
<td>4.2 Other Benefits Take Precedence over Short-Term Payout</td>
<td>18</td>
</tr>
<tr>
<td>4.3 Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies</td>
<td>18</td>
</tr>
<tr>
<td>Article 5 - Retirement Benefit</td>
<td>19</td>
</tr>
<tr>
<td>5.1 Retirement Benefit</td>
<td>19</td>
</tr>
<tr>
<td>5.2 Payment of Retirement Benefit</td>
<td>19</td>
</tr>
<tr>
<td>Article 6 - Survivor Benefit</td>
<td>20</td>
</tr>
<tr>
<td>6.1 Pre-Retirement Survivor Benefit</td>
<td>20</td>
</tr>
<tr>
<td>6.2 Payment of Pre-Retirement Survivor Benefit</td>
<td>20</td>
</tr>
<tr>
<td>6.3 Death Prior to Completion of Retirement Benefit or Termination Benefit</td>
<td>20</td>
</tr>
</tbody>
</table>

---
# TABLE OF CONTENTS continued...

**ARTICLE 7**
- TERMINATION BENEFIT ........................................... 21
  - 7.1 TERMINATION BENEFIT ........................................... 21
  - 7.2 PAYMENT OF TERMINATION BENEFIT ................................ 21

**ARTICLE 8**
- BENEFICIARY DESIGNATION ........................................... 21
  - 8.1 BENEFICIARY ................................................... 21
  - 8.2 BENEFICIARY DESIGNATION/CHANGE ................................ 21
  - 8.3 ACKNOWLEDGMENT ............................................... 22
  - 8.4 NO BENEFICIARY DESIGNATION ................................... 22
  - 8.5 DOUBT AS TO BENEFICIARY ....................................... 22
  - 8.6 DISCHARGE OF OBLIGATIONS ..................................... 22

**ARTICLE 9**
- LEAVE OF ABSENCE .................................................. 23
  - 9.1 PAID LEAVE OF ABSENCE ......................................... 23
  - 9.2 UNPAID LEAVE OF ABSENCE ....................................... 23

**ARTICLE 10**
- TERMINATION/AMENDMENT/MODIFICATION .................................. 23
  - 10.1 TERMINATION ................................................... 23
  - 10.2 AMENDMENT ..................................................... 24
  - 10.3 EFFECT OF PAYMENT ............................................. 24
  - 10.4 AMENDMENT TO ENSURE PROPER CHARACTERIZATION OF THE PLAN .... 24
  - 10.5 CHANGES IN LAW AFFECTING TAXABILITY .......................... 25
  - 10.6 PROHIBITED ACCELERATION/DISTRIBUTION TIMING .................. 25

**ARTICLE 11**
- ADMINISTRATION .................................................... 26
  - 11.1 ADMINISTRATION ................................................ 26
  - 11.2 DETERMINATIONS ................................................ 26
  - 11.3 GENERAL ....................................................... 27

**ARTICLE 12**
- OTHER BENEFITS AND AGREEMENTS ....................................... 27
  - 12.1 COORDINATION WITH OTHER BENEFITS ............................ 27

**ARTICLE 13**
- CLAIMS PROCEDURES .................................................. 27
  - 13.1 SCOPE OF CLAIMS PROCEDURES ................................... 27
  - 13.2 INITIAL CLAIM .................................................. 27
  - 13.3 REVIEW PROCEDURES ............................................. 28
  - 13.4 CALCULATION OF TIME PERIODS .................................. 29
  - 13.5 LEGAL ACTION .................................................. 29

**ARTICLE 14**
- TRUST .............................................................. 30
  - 14.1 ESTABLISHMENT OF THE TRUST .................................. 30
  - 14.2 INTERRELATIONSHIP OF THE PLAN AND THE TRUST .................. 30

  - 14.3 INVESTMENT OF TRUST ASSETS ................................... 30
  - 14.4 DISTRIBUTIONS FROM THE TRUST .................................. 30

**ARTICLE 15**
- MISCELLANEOUS ...................................................... 30
  - 15.1 STATUS OF PLAN ................................................ 30
  - 15.2 UNSECURED GENERAL CREDITOR ................................... 31
  - 15.3 COMPANY'S LIABILITY ............................................ 31
  - 15.4 NONASSIGNABILITY .............................................. 31
  - 15.5 NOT A CONTRACT OF EMPLOYMENT ................................ 31
  - 15.6 FURNISHING INFORMATION ....................................... 32
  - 15.7 TERMS ........................................................ 32
  - 15.8 CAPTIONS ...................................................... 32
  - 15.9 GOVERNING LAW ................................................ 32
  - 15.10 NOTICE ........................................................ 32
  - 15.11 SUCCESSORS ................................................... 33
  - 15.12 SPOUSE'S INTEREST ............................................. 33
  - 15.13 VALIDITY ..................................................... 33
  - 15.14 INCOMPETENT .................................................. 33
  - 15.15 COURT ORDER .................................................. 33
  - 15.16 INSURANCE .................................................... 33
  - 15.17 AGGREGATION OF EMPLOYERS .................................... 34
EFFECTIVE JULY 1, 2005

PURPOSE

The purpose of this Rollins, Inc. Deferred Compensation Plan is to provide specified benefits to a select group of management or highly compensated employees of Rollins, Inc. and those of its affiliates that are participating employers under this Plan as set forth in Section 1.13. This Plan shall be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. This Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, as added by the American Jobs Creation Act of 2004 and the Treasury regulations and any other authoritative guidance issued thereunder.

ARTICLE 1
DEFINITIONS

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Company equal to the sum of (i) the Deferral Account balance, (ii) the Company Discretionary Account balance, and (iii) the Company Discretionary Benefit Restoration Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.2 "Annual Base Salary" shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year or included on the Federal Income Tax Form W-2 for such calendar year, excluding Annual Bonus Payments and any other bonus or incentive payments, commissions, overtime, fringe benefits, stock options, relocation expenses, non-monetary awards, fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Annual Base Salary shall be calculated without regard to any reductions for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of the Company (and therefore shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3) or 402(h) pursuant to plans established by the Company).

1.3 "Annual Bonus Payments" shall mean any compensation paid to a Participant under any incentive plans or bonus arrangements of the Company with respect to which the Plan Committee in its discretion permits deferrals to be made hereunder, which compensation is based on the performance by the Participant of services for the Company over a period of at least twelve (12) months (whether or not paid in such performance period or included on the Federal Income Tax Form W-2 for such performance period) and which qualifies as "performance-based compensation" under Section 409A.

1.4 "Annual Company Discretionary Amount" shall mean, for the Plan Year of reference, the amount determined in accordance with Section 3.5.

1.5 "Annual Company Discretionary Benefit Restoration Amount" shall mean, for the Plan Year of reference, the amount determined in accordance with Section 3.6.

1.6 "Annual Deferral Amount" shall mean that portion of a Participant's Annual Base Salary and Annual Bonus Payments that a Participant elects to have, and is, deferred in accordance with Article 3, for the Plan Year of reference. In the event of a Participant's Retirement, death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.

1.7 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 8, that are entitled to receive benefits under this Plan upon the death of a Participant.

1.8 "Beneficiary Designation Form" shall mean the form established from time to time by the Plan Committee that a Participant completes, signs
and returns to the Plan Committee to designate one or more Beneficiaries.

PLAN DOCUMENT continued...

1.9 "Board" shall mean the board of directors of the Sponsor or, if the Board so directs, a committee of such Board acting on behalf of the Board in the exercise of any and all powers and duties of the Board pursuant to this Plan.

1.10 "Claimant" shall have the meaning set forth in Section 13.2.

1.11 "Change In Control" shall mean a change in the ownership or effective control of the Sponsor within the meaning of Section 409A(a)(2)(A)(v) and any guidance issued thereunder from time to time by the Internal Revenue Service, including Notice 2005-1.

1.12 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

1.13 "Company" shall mean, collectively, the Sponsor and any affiliate of the Sponsor that adopts this Plan with the approval of the Sponsor, as set forth on Schedule B, and any successor to all or substantially all of the Company's assets or business.

1.14 "Company Discretionary Account" shall mean (i) the sum of the Participant's Annual Company Discretionary Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Discretionary Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Discretionary Account.

1.15 "Company Discretionary Benefit Restoration Account" shall mean (i) the sum of the Participant's Annual Company Discretionary Benefit Restoration Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Discretionary Benefit Restoration Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Discretionary Benefit Restoration Account.

1.16 "Deduction Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If the Plan Committee determines in good faith that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Company would not be deductible by the Company solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Plan Committee to ensure that the entire amount of any distribution to the Participant pursuant to this Plan is deductible, the Plan Committee may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited or debited with additional amounts in accordance with Section 3.9 below, even if such amount is being paid out in installments. The amounts so deferred and amounts credited or debited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Plan Committee in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Company during which the distribution is made will not be limited by Code Section 162(m). Notwithstanding the foregoing, this Section 1.16 shall apply only to the extent permitted by Section 409A.

1.17 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.18 "Effective Date" shall mean the effective date of this Plan, which is

PLAN DOCUMENT continued...
July 1, 2005.

1.19 "Election Form" shall mean the form or forms established from time to time by the Plan Committee that a Participant completes, signs and returns to the Plan Committee to make an election under the Plan (which form or forms may take the form of an electronic transmission, if required or permitted by the Plan Committee).

1.20 "Employee" shall mean an individual whom the Company treats as an "employee" for Federal income tax withholding purposes.

1.21 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.22 "Participant" shall mean any Employee who is selected by the Plan Committee to participate in the Plan, provided such individual (i) elects to participate in the Plan, (ii) signs a Plan Agreement, an Election Form(s) and a Beneficiary Designation Form, (iii) has his or her signed Plan Agreement, Election Form(s) and Beneficiary Designation Form accepted by the Plan Committee, (iv) commences participation in the Plan, and (v) does not have his or her Plan Agreement terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an Account Balance under the Plan under any circumstance.

1.23 "Plan" shall mean this Rollins, Inc. Deferred Compensation Plan, as evidenced by this instrument and by each Plan Agreement, as they may be further amended from time to time.

1.24 "Plan Agreement" shall mean a written agreement (which may take the form of an electronic transmission, if required or permitted by the Plan Committee), as may be amended from time to time, which is entered into by and between the Company and a Participant. Each Plan Agreement executed by a Participant and the Company shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Company shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Company and the Participant. In the Plan Agreement, each Participant shall acknowledge that he or she accepts all of the terms of the Plan including the discretionary authority of the Plan Committee as set forth in Article 11.

1.25 "Plan Committee" shall mean the Plan committee appointed by the Sponsor, which, except as otherwise specified, shall be responsible for the general administration of the Plan, or a designated agent of such Plan Committee.

1.26 "Plan Year" shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year during which this Plan is in effect; provided, however, that the Plan shall experience a short first Plan Year beginning July 1, 2005 and ending December 31, 2005.

1.27 "Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Article 6.

1.28 "Retirement", "Retire(s)" or "Retired" shall mean Separation from Service with the Company for any reason other than an authorized leave of absence or death on or after (i) the attainment of age sixty-five (65) or (ii) the attainment of age sixty (60) with twenty (20) Years of Service.

1.29 "Retirement Benefit" shall mean the benefit set forth in Article 5.

1.30 "Section 409A" shall mean Code Section 409A and the Treasury regulations and other authoritative guidance issued thereunder.

1.31 "Separation from Service" shall mean separation from service within
"Short-Term Payout" shall mean the payout set forth in Article 4.

"Sponsor" shall mean Rollins, Inc., a Delaware corporation, and any successor to all or substantially all of the Sponsor's assets or business.

"Termination Benefit" shall mean the benefit set forth in Article 7.

"Termination of Employment" shall mean Separation from Service with the Company, voluntarily or involuntarily, for any reason other than Retirement, death or an authorized leave of absence.

"Trust" shall mean the trust established pursuant to this Plan, as amended from time to time.

"Unforeseeable Financial Emergency" shall mean a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Code Section 152(a)) of the Participant, (ii) a loss of the Participant's property due to casualty, or (iii) any other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Plan Committee.

"Yearly Installment Method" shall be a yearly installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows: The Account Balance of the Participant (or the appropriate portion thereof) shall be calculated as of the close of business on the date of reference (or, if the date of reference is not a business day, on the immediately following business day), and shall be paid as soon as practicable thereafter. The date of reference with respect to the first (1st) yearly installment payment shall be as provided in Section 5.2, and the date of reference with respect to subsequent yearly installment payments shall be the anniversary of the first (1st) yearly installment payment. The yearly installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one (1), and the denominator of which is the remaining number of yearly payments due the Participant. By way of example, if the Participant elects a ten (10) year Yearly Installment Method, the first payment shall be one-tenth (1/10) of the Account Balance, calculated as described in this definition. The following year, the payment shall be one-ninth (1/9) of the Account Balance, calculated as described in this definition.

"Years of Service" shall mean at any time the number of years of service with which a Participant has been credited under a 401(k) plan sponsored by the Company. If, at any time, the Participant has been credited with years of service under more than one Company-sponsored 401(k) plan, the Participant's Years of Service under this Plan shall be determined by reference to that Company-sponsored 401(k) plan under which the Participant has been credited with the greatest number of years of service.

ARTICLE 2
SELECTION/ENROLLMENT/ELIGIBILITY

2.1 ELIGIBILITY. Participation in the Plan shall be limited to Employees whom the Plan Committee, in its sole discretion, designates, for participation, provided that Employees may not participate in the Plan unless they are members of a select group of management or highly compensated employees of the Company, as membership in such group is determined for purposes of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA (which determination shall be made by the Plan Committee in its sole discretion).

2.2 ENROLLMENT REQUIREMENTS. As a condition to initial participation, each selected Employee shall complete, execute and return to the Plan Committee a Plan Agreement, an Election Form(s) and a Beneficiary Designation Form, all within thirty (30) days after he or she is notified of his or her eligibility to participate in the Plan. In addition, the Plan Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.

2.3 COMMENCEMENT OF PARTICIPATION. Provided a selected Employee has met all enrollment requirements set forth in this Plan and required by the Plan
Committee, including returning all required documents to the Plan Committee within the specified time period, that individual shall commence participation in the Plan on the first day of the month following the month in which he or she has completed all enrollment requirements (or as soon as practicable thereafter as the Plan Committee may determine). If he or she fails to meet all such requirements within the period required by Section 2.2, that individual shall not be eligible to participate in the Plan until the first day of the following Plan Year, again subject to timely delivery to and acceptance by the Plan Committee of the required documents.

2.4 TERMINATION OF PARTICIPATION AND/OR DEFERRALS. If the Plan Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees of the Company (as defined in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA), the Plan Committee shall have the right, in its sole discretion and subject to Section 409A, to (i) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future deferral elections and/or (iii) immediately distribute the Participant's then vested Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

ARTICLE 3
DEFERRAL COMMITMENTS/COMPANY CONTRIBUTIONS/CREDITING/TAXES

3.1 MINIMUM DEFERRAL. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferred Amount, Annual Base Salary and/or Annual Bonus Payments in the minimum amount of two thousand dollars ($2,000) for each such type of compensation.

Notwithstanding the foregoing, the Plan Committee may, in its sole discretion, establish for any Plan Year a different minimum amount for Annual Base Salary and/or Annual Bonus Payments.

3.2 MAXIMUM DEFERRAL.

(a) ANNUAL BASE SALARY AND ANNUAL BONUS PAYMENTS. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Annual Base Salary and/or Annual Bonus Payments up to the following maximum percentages for each type of compensation:

<table>
<thead>
<tr>
<th>COMPENSATION</th>
<th>MAXIMUM DEFERRAL PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Base Salary</td>
<td>50%</td>
</tr>
<tr>
<td>Annual Bonus Payments</td>
<td>100%</td>
</tr>
</tbody>
</table>

(b) PLAN COMMITTEE’S DISCRETION. Notwithstanding the foregoing, (i) the Plan Committee may, in its sole discretion, establish for any Plan Year maximum percentages which differ from those set forth above, and (ii) if a Participant first becomes a Participant after the first day of a Plan Year, the maximum Annual Deferral Amount with respect to Annual Base Salary and Annual Bonus Payments shall be limited to the percentage of such compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form(s) to the Plan Committee for acceptance.

3.3 ELECTION TO DEFER/CHANGE IN ELECTION.

(a) TIMING OF ELECTIONS.

(i) ELECTIONS WITH RESPECT TO ANNUAL BASE SALARY. An Annual Base Salary election must be made within the deadlines established by the Plan Committee, provided that, except as provided in paragraph (iii) below, in no event shall such an election be made after the last day of the Plan Year preceding the Plan Year for which the election is made.
(ii) ELECTIONS WITH RESPECT TO ANNUAL BONUS PAYMENTS. An Annual Bonus Payment election must be made within the deadlines established by the Plan Committee, provided that, except as provided in paragraph (iii) below, in no event shall such an election be made later than six (6) months prior to the last day of the period over which the services giving rise to the Annual Bonus Payments to be deferred are performed.

(iii) FIRST YEAR OF ELIGIBILITY. Notwithstanding paragraphs (i) and (ii) above, if and to the extent permitted by the Plan Committee, in the case of the first Plan Year in which an Employee becomes eligible to participate in the Plan, the Employee may make a deferral election at times other than those permitted by paragraphs (i) and (ii) above, provided that such election is made no later than thirty (30) days after the date the Employee becomes eligible to participate in the Plan. Such election will apply only with respect to compensation attributable to services performed after the date the election is made. This paragraph (iii) will apply with respect to the short Plan Year commencing July 1, 2005 and ending December 31, 2005, as well as to Plan Years commencing on and after January 1, 2006.

(b) MANNER OF ELECTION. Deferral elections (and any other elections the Plan Committee deems necessary or desirable under the Plan) shall be made by timely delivering to the Plan Committee an Election Form, along with such other forms the Plan Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form(s) must be completed and signed by the Participant, timely delivered to the Plan Committee (in accordance with Sections 2.2 and 3.3(a) above) and accepted by the Plan Committee. If no such Election Form(s) is timely delivered for a Plan Year (or portion thereof), the Annual Deferral Amount shall be zero (0) for that Plan Year (or portion thereof).

(c) CHANGE IN ELECTION. A Participant may not change his or her deferral election that is in effect for a Plan Year, unless permitted by the Plan Committee in compliance with Section 409A.

(d) VALIDITY OF ELECTIONS. The Plan Committee reserves the right to determine the validity of all deferral elections made under the Plan in accordance with the requirements of applicable law, including Section 409A. If the Plan Committee, in its sole discretion, determines that an election is not valid under applicable law, the Plan Committee may treat the deferral election as null and void, and pay Annual Base Salary and/or Annual Bonus Payments to the affected Participant without regard to the Participant's deferral election. By way of example and not limitation, if the Plan Committee determines that a deferral election should have been made at a time that is earlier than the time it is actually made (even if such election would otherwise comply with the terms of the Plan, including Section 3.3(a) above), the Plan Committee will have the right to disregard such election and pay Annual Base Salary and/or Annual Bonus Payments to the affected Participant without regard to the Participant's deferral election.

3.4 WITHHOLDING OF ANNUAL DEFERRAL AMOUNTS. For each Plan Year, the Annual Base Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Annual Base Salary payment in the percentage elected by the Participant. The Annual Bonus Payments portion of the Annual Deferral Amount shall be withheld at the time the Annual Bonus Payments are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year for which the election is made.
may, but is not required to, credit any amount it desires to any Participant’s Company Discretionary Account under this Plan, which amount shall be for that Participant the Annual Company Discretionary Amount for that Plan Year. The amount so credited on behalf of a Participant may be smaller or larger than the amount credited on behalf of any other Participant, and the amount credited on behalf of any Participant for a Plan Year may be zero (0), even though one or more other Participants receive an Annual Company Discretionary Amount for that Plan Year.

Unless otherwise specified by the Plan Committee, the Annual Company Discretionary Amount, if any, shall be credited as soon as practicable after the last day of the Plan Year. Unless otherwise specified by the Plan Committee, if a Participant to whom an Annual Company Discretionary Amount would otherwise be credited is not employed by the Company as of the last day of a Plan Year, the Annual Company Discretionary Amount for that Plan Year shall be zero (0).

3.6 ANNUAL COMPANY DISCRETIONARY BENEFIT RESTORATION AMOUNT. For each Plan Year, the Plan Committee, acting on behalf of the Company and in its sole discretion, may, but is not required to, credit an amount to any Participant’s Company Discretionary Benefit Restoration Account under this Plan, which amount shall be for that Participant the Annual Company Discretionary Benefit Restoration Amount for that Plan Year.

Unless otherwise specified by the Plan Committee, in order to be eligible to receive an Annual Company Discretionary Benefit Restoration Amount, a Participant must: (a) have a most recent hire date of no later than June 30, 1999; (b) be employed by the Company for all of 2006; (c) have completed at least five (5) full years of participation in the Company’s qualified defined benefit pension plan; and (d) be employed as of the last day of the Plan Year for which the Annual Company Discretionary Benefit Restoration Amount is credited, all as determined by the Plan Committee.

Unless otherwise specified by the Plan Committee, the Annual Company Discretionary Benefit Restoration Amount, if any, shall be credited as soon as practicable after the last day of the Plan Year. Annual company Discretionary Amounts will be credited for five (5) Plan Years, with the first Annual Company Discretionary Amounts being credited in January 2007 (for the 2006 Plan Year) for those eligible Participants who were employed by the Company for all of the 2006 Plan Year, and with the last Annual Company Discretionary Amounts being credited in January 2011 (for the 2010 Plan Year) for those eligible Participants who were employed by the Company for all of the 2010 Plan Year. Unless otherwise specified by the Plan Committee, no further Annual Company Discretionary Amounts will be credited with respect to Plan Years after the 2010 Plan Year.

A Participant’s Annual Company Discretionary Benefit Restoration Amount for the Plan Year of reference, if any, shall be a percentage of the Participant’s Annual Base Salary for the Plan Year not exceeding two hundred and ten thousand dollars ($210,000), or such other maximum established by the Plan Committee, determined as follows:

<table>
<thead>
<tr>
<th>NUMBER OF POINTS</th>
<th>ANNUAL COMPANY DISCRETIONARY BENEFIT RESTORATION AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 55</td>
<td>0% of Annual Base Salary</td>
</tr>
<tr>
<td>55 to 64.99</td>
<td>1.5% of Annual Base Salary</td>
</tr>
<tr>
<td>65 or more</td>
<td>3% of Annual Base Salary</td>
</tr>
</tbody>
</table>

For purposes of the preceding, the Participant’s number of points shall be calculated as:

Participant’s age + (Participant’s Years of Service X 1.5)

For purposes of the preceding, the Participant’s age will be determined as of June 30, 2005. The Participant’s Years of Service will be determined as of June 30, 2005, based on the Participant’s most recent hire date (i.e., if the Participant was rehired, he or she will not receive Years of Service credit for purposes of this Section for service the Participant performed prior to his or her rehire date).
A Participant shall at all times be one hundred percent (100%) vested in his or her Deferral Account and Company Discretionary Benefit Restoration Account.

A Participant shall become vested in his or her Company Discretionary Account as and to the extent that the Participant becomes vested in Company matching contributions under a 401(k) plan sponsored by the Company, or (if earlier) as of the date of a Change in Control. If Company matching contributions have been allocated on behalf of the Participant under more than one Company-sponsored 401(k) plan, the 401(k) plan referenced in the preceding sentence shall be that Company-sponsored 401(k) plan under which the Participant has attained the greatest percentage of vesting in his or her Company matching contributions.

3.8 CREDITING/DEBITING OF ACCOUNT BALANCES. In accordance with, and subject to, the rules and procedures that are established from time to time by the Plan Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

(a) SUB-ACCOUNTS. Separate sub-accounts shall be established and maintained with respect to each Participant's Account Balance (together, the "Sub-Accounts"), if and as applicable, one attributable to the portion of the Participant's Account Balance which represents Annual Base Salary deferrals, another attributable to the portion of the Participant's Account Balance which represents Annual Bonus Payments deferrals, and another attributable to the portion of the Participant's Account Balance which represents Annual Company Discretionary Amounts and Annual Company Discretionary Benefit Restoration Amounts.

(b) ELECTION OF MEASUREMENT FUNDS. A Participant, in connection with his or her initial deferral election in accordance with Section 3.3 above, shall elect, on the Election Form(s), one or more Measurement Fund(s) (as described in Section 3.8(d) below) to be used to determine the additional amounts to be credited or debited to each of his or her Sub-Accounts for the first business day of the Plan Year, continuing thereafter unless changed in accordance with the next sentence. Commencing with the first business day of the Plan Year, and continuing thereafter for the remainder of the Plan Year (unless the Participant ceases during the Plan Year to participate in the Plan), the Participant may (but is not required to) elect, by submitting an Election Form(s) to the Plan Committee that is accepted by the Plan Committee (which submission may take the form of an electronic transmission, if required or permitted by the Plan Committee), to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited or debited to each of his or her Sub-Accounts, or to change the portion of each of his or her Sub-Accounts allocated to each previously or newly elected Measurement Fund(s); provided, however, that any such election(s) will be processed on a monthly basis, as described in the following sentence. If, during a given month, a Participant makes one or more elections in accordance with the previous sentence, all such elections made by the Participant during the month shall be collected and the last such election made prior to 4:00pm EST on the last market day of the month will be processed and shall continue to apply for the remainder of the Plan Year (unless the Participant ceases during the Plan Year to participate in the Plan), unless changed in accordance with the above.

(c) PROPORTIONATE ALLOCATION. In making any election described in Section 3.8(b) above, the Participant shall specify on the Election Form(s), in whole percentage points, the percentage of each of his or her Sub-Account(s) to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his
or her Account Balance).

(d) MEASUREMENT FUNDS. The Participant may elect one or more of the Measurement Funds set forth on Schedule A (the "Measurement Funds") for the purpose of crediting or debiting additional amounts to his or her Account Balance. The Plan Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund(s). Each such action will take effect on the first business day that follows by thirty (30) days the day on which the Plan Committee gives Participants advance written (which shall include e-mail) notice of such change. If the Plan Committee receives an initial or revised Measurement Fund(s) election which it deems to be incomplete, unclear or improper, the Participant's Measurement Fund(s) election then in effect shall remain in effect and, in the case of a deficiency in an initial Measurement Fund(s) election, the Participant shall be deemed to have filed no deemed investment direction. If the Plan Committee possesses (or is deemed to possess as provided in the previous sentence) at any time directions as to Measurement Fund(s) of less than all of the Participant's Account Balance, the Participant shall be deemed to have directed that the undesignated portion of the Account Balance be deemed to be invested in a money market, fixed income or similar Measurement Fund made available under the Plan as determined by the Plan Committee in its discretion. Each Participant hereunder, as a condition to his or her participation hereunder, agrees to indemnify and hold harmless the Plan Committee and the Company, and their agents and representatives, from any losses or damages of any kind relating to (i) the Measurement Funds made available hereunder and (ii) any discrepancy between (a) the credits and debits to the Participant's Account Balance based on the performance of the Measurement Funds and the application of the crediting and debiting method described in Section 3(e) below and (b) what the credits and debits otherwise might be in the case of an actual investment in the Measurement Funds.

(e) CREDITING OR DEBITING METHOD. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Plan Committee, in its sole discretion, based on the performance of the Measurement Funds themselves. A Participant's Account Balance shall be credited or debited on a daily basis based on the performance of each Measurement Fund selected by the Participant, or as otherwise determined by the Plan Committee in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Fund(s) selected by the Participant, in the percentages elected by the Participant as of such date, at the closing price on such date; (ii) the portion of the Annual Deferral Amount that was actually deferred was invested in the Measurement Fund(s) selected by the Participant, in the percentages elected by the Participant, no later than the close of business on the third (3rd) business day after the day on which such amounts are actually deferred from the Participant's Annual Base Salary and Annual Bonus Payments through reductions in his or her amounts otherwise payable, at the closing price on such date; (iii) any Annual Company Discretionary Amounts and/or Annual Company Discretionary Benefit Restoration Amounts credited to a Participant's Account Balance were invested in the Measurement Fund(s) selected by the Participant, in the percentages elected by the Participant, as soon as administratively practicable following the date such amount(s) were credited to the Participant's Plan Account and (iv) any distribution made to a Participant that decreases such Participant's Account Balance ceased being invested in the Measurement Fund(s), in the percentages applicable to such calendar month, no earlier than three (3) business days prior to the distribution, at the closing price on such date.

(f) NO ACTUAL INVESTMENT. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement
Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured general creditor of the Company.

(g) BENEFICIARY ELECTIONS. Each reference in this Section 3.8 to a Participant shall be deemed to include, where applicable, a reference to a Beneficiary.

3.9 FICA AND OTHER TAXES.

(a) ANNUAL DEFERRAL AMOUNTS. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Company shall withhold from that portion of the Participant's Annual Base Salary and/or Annual Bonus Payments that is not being deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Plan Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.10.

(b) ANNUAL COMPANY DISCRETIONARY AMOUNTS. When a Participant becomes vested in a portion of his or her Company Discretionary Account, the Company shall have the discretion to withhold from the Participant's Annual Base Salary and/or Annual Bonus Payments that is not deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes on such vested portion of his or her Company Discretionary Amount. If necessary, the Plan Committee may reduce the vested portion of the Participant's Annual Company Discretionary Amounts in order to comply with this Section 3.10.

(c) ANNUAL COMPANY DISCRETIONARY BENEFIT RESTORATION AMOUNTS. For each Plan Year in which an Annual Company Discretionary Benefit Restoration Amount is credited to the Account Balance of a Participant, the Company shall have the discretion to withhold from the Participant's Annual Base Salary and/or Annual Bonus Payments that is not deferred, in a manner determined by the Company, the Participant's share of FICA and other employment taxes on such Annual Company Discretionary Benefit Restoration Amount. If necessary, the Plan Committee may reduce the vested portion of the Participant's Annual Company Discretionary Benefit Restoration Amounts in order to comply with this Section 3.10.

3.10 DISTRIBUTIONS. Notwithstanding anything herein to the contrary, (i) any payments made to a Participant under this Plan shall be in cash form, and (ii) the Company, or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all Federal, state and local income, employment and other taxes required to be withheld by the Company, or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Company or the trustee of the Trust, as applicable.

ARTICLE 4 SHORT-TERM PAYOUT/UNFORESEEABLE FINANCIAL EMERGENCIES

4.1 SHORT-TERM PAYOUT. In connection with each election to defer Annual Deferral Amounts for a given Plan Year, a Participant may irrevocably elect to receive a future "Short-Term Payout" from the Plan. Except as otherwise required by the Plan Committee, such election may be made separately with respect to each Plan Year's Annual Base Salary and/or Annual Bonus Payments that have been deferred. Subject to the Deduction Limitation and to Section 3.11, the Short-Term Payout shall be a lump sum payment in an amount that is equal to the Annual Base Salary and/or
Annual Bonus Payments deferrals subject to the Short-Term Payout election, and amounts credited or debited thereon in the manner provided in Section 3.8 above, determined at the time that the Short-Term Payout becomes payable (rather than the date of a Termination of Employment). Subject to the terms and conditions of this Plan, each Short-Term Payout elected shall be paid out during the month of January of the Plan Year designated by the Participant that is at least three (3) Plan Years after the Plan Year in which the Annual Base Salary and/or Annual Bonus Payments deferrals subject to the Short-Term Payout election are actually deferred, as specifically elected by the Participant. By way of example, if a three (3) year Short-Term Payout is elected by a Participant for Annual Base Salary deferrals that are deferred in the Plan Year commencing July 1, 2005, the three (3) year Short-Term Payout would become payable during January of 2009. Notwithstanding the preceding sentences or any other provision of this Plan that may be construed to the contrary, a Participant who is an active Employee may, with respect to each Short-Term Payout, on a form determined by the Plan Committee, make one (1) or more additional deferral elections (a "Subsequent Election") to defer payment of all or any portion (as elected by the Participant in accordance with procedures established by the Plan Committee) of such Short-Term Payout to a Plan Year subsequent to the Plan Year originally (or subsequently) elected; provided, however, any such Subsequent Election will be null and void unless accepted by the Plan Committee no later than one (1) year prior to the first day of the Plan Year in which, but for the Subsequent Election, such Short-Term Payout would be paid, and such Subsequent Election provides for a deferral of at least five (5) Plan Years following the Plan Year in which the Short-Term Payout, but for the Subsequent Election, would be paid.

Notwithstanding the preceding, that portion of a Participant's Account Balance, if any, attributable to Annual Company Discretionary Amounts and/or Annual Company Discretionary Benefit Restoration Amounts shall not be eligible for a Short-Term Payout under the Plan.

4.2 OTHER BENEFITS TAKE PRECEDENCE OVER SHORT-TERM PAYOUT. Should an event occur that triggers a benefit under Article 5, 6 or 7, any Annual Base Salary and/or Annual Bonus Payments deferrals, plus amounts credited or debited thereon, that are subject to a Short-Term Payout election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Article.

4.3 WITHDRAWAL PAYOUT/SUSPENSIONS FOR UNFORESEEABLE FINANCIAL EMERGENCIES. If a Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Plan Committee to (i) suspend any deferrals required to be made by a Participant to the extent permitted under Section 409A and/or (ii) receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's vested Account Balance, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency, taking into account the extent to which the Unforeseeable Financial Emergency is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of assets would not itself cause severe financial hardship), plus amounts necessary to pay taxes reasonably anticipated as a result of the payout. A suspension of deferrals or payout under this Section 4.3 shall be permitted only to the extent permitted under Section 409A, as determined by the Plan Committee in its sole discretion. A suspension of deferrals that is approved by the Plan Committee will take effect as soon as administratively feasible after such approval is granted. A payout that is approved by the Plan Committee will be made within sixty (60) days of the date of approval. The payment of any amount under this Section 4.3 shall not be subject to the Deduction Limitation.

ARTICLE 5
RETIREMENT BENEFIT

5.1 RETIREMENT BENEFIT. A Participant who Retires shall receive, as a Retirement Benefit, his or her vested Account Balance.

5.2 PAYMENT OF RETIREMENT BENEFIT. In connection with each election to
defer Annual Deferral Amounts for a given Plan Year, a Participant shall elect on an Election Form to receive such Annual Deferral Amounts, and amounts credited or debited thereon in the manner provided in Section 3.8 above, upon Retirement in a lump sum or pursuant to a Yearly Installment Method of between two (2) and fifteen (15) years. Except as otherwise required by the Plan Committee, such election may be made separately with respect to each Plan Year's Annual Base Salary and/or Annual Bonus Payments that have been deferred. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum.

Notwithstanding the above or anything herein that may suggest otherwise, the portion (if any) of the Participant's vested Account Balance attributable to Annual Company Discretionary Amounts and Annual Company Discretionary Benefit Restoration Amounts shall be payable to the Participant solely as a lump sum payment.

Unless an election is changed by the Participant as provided below, such Retirement Benefit shall be paid (or shall commence, in the case of installment payments) as follows: (i) if the Participant's Retirement occurs during January through June of any Plan Year, the Retirement Benefit shall be paid (or commence) on or after January 2 of the Plan Year following the Plan Year of the Participant's Retirement; (ii) if the Participant's Retirement occurs during July through December of any Plan Year, the Retirement Benefit shall be paid (or commence) on or after July 2 of the Plan Year following the Plan Year of the Participant's Retirement.

The Participant may change his or her election to an allowable alternative payout period by submitting a new Election Form to the Plan Committee, provided that any such Election Form is submitted at least one (1) year prior to the Participant's Retirement and, if required by Section 409A, provides for a distribution (or commencement of distributions) date which is at least five (5) Plan Years from the distribution date then in effect. The Election Form most recently accepted by the Plan Committee shall govern the payout of the Retirement Benefit with respect to the portion of the Participant's Account Balance to which it pertains.

Notwithstanding anything above or elsewhere in the Plan to the contrary, except as otherwise permitted by Section 409A, no change submitted on an Election Form shall be accepted by the Company if the change accelerates the time over which distributions are to be made to the Participant, and the Company shall deny any change made to an election if the Plan Committee determines that the change violates any requirement under Section 409A, including the requirement that the first payment with respect to which such election is made be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made.

ARTICLE 6
SURVIVOR BENEFIT

6.1 PRE-RETIREMENT SURVIVOR BENEFIT. The Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's vested Account Balance if the Participant dies while an Employee.

6.2 PAYMENT OF PRE-RETIREMENT SURVIVOR BENEFIT. The Pre-Retirement Survivor Benefit shall be paid in a lump sum as soon as practicable following the date on which the Plan Committee has been provided with proof that is satisfactory to the Plan Committee of the Participant's death. Any payment made hereunder shall not be subject to the Deduction Limitation.

6.3 DEATH PRIOR TO COMPLETION OF RETIREMENT BENEFIT OR TERMINATION BENEFIT. If a Participant dies after Retirement or Termination of Employment but before the Retirement Benefit or Termination Benefit is paid in full, the Participant's unpaid Retirement Benefit or Termination Benefit payments shall continue and shall be paid to the Participant's Beneficiary over the remaining number of years and in the same amounts as that benefit would have been paid to the Participant had the Participant survived. Any payment made hereunder shall not be subject
ARTICLE 7
TERMINATION BENEFIT

7.1 TERMINATION BENEFIT. A Participant shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance if the Participant experiences a Termination of Employment prior to his or her Retirement or death.

7.2 PAYMENT OF TERMINATION BENEFIT. The Termination Benefit shall be paid in a lump sum as follows: (i) if the Participant's Termination of Employment occurs during January through June of any Plan Year, the Termination Benefit shall be paid on or after January 2 of the Plan Year following the Plan Year of the Participant's Termination of Employment; (ii) if the Participant's Termination of Employment occurs during July through December of any Plan Year, the Termination Benefit shall be paid on or after July 2 of the Plan Year following the Plan Year of the Participant's Termination of Employment.

ARTICLE 8
BENEFICIARY DESIGNATION

8.1 BENEFICIARY. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of the Company in which the Participant participates.

8.2 BENEFICIARY DESIGNATION/CHANGE. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form and returning it to the Plan Committee. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Committee's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Plan Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and delivered to the Plan Committee prior to his or her death.

8.3 ACKNOWLEDGMENT. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Plan Committee or its designated agent.

8.4 NO BENEFICIARY DESIGNATION. If a Participant fails to designate a Beneficiary as provided in Sections 8.1, 8.2 and 8.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse, or, if the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.

8.5 DOUBT AS TO BENEFICIARY. If the Plan Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Plan Committee shall have the right, exercisable in its sole discretion, to cause the Company to withhold such payments until this matter is resolved to the Plan Committee's satisfaction.

8.6 DISCHARGE OF OBLIGATIONS. The payment of benefits under the Plan to a person believed in good faith by the Plan Committee to be a valid Beneficiary shall fully and completely discharge the Company and the Plan Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits. Neither the Plan Committee nor the Company shall be obliged to search for any Participant or Beneficiary beyond the sending of a registered letter to such Participant's or Beneficiary's last known address. If the Plan Committee notifies any Participant or Beneficiary that he or she is entitled to an amount under the Plan and the Participant or Beneficiary fails to claim such amount or make his or her location known to the Plan Committee within three (3) years thereafter, then, except as otherwise required by law, if the location of one or more of the next of kin of the Participant is known to the Plan Committee, the Plan Committee may direct distribution of such amount to any one or more or
all of such next of kin, and in such proportions as the Plan Committee determines. If the location of none of the foregoing persons can be determined, the Plan Committee shall have the right to direct that the amount payable shall be deemed to be a forfeiture and paid to the Company, except that the dollar amount of the forfeiture, unadjusted for deemed gains or losses in the interim, shall be paid by the Company if a claim for the benefit subsequently is made by the Participant or the Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, neither the Plan Committee nor the Company shall be liable to any person for any payment made in accordance with such law.

ARTICLE 9
LEAVE OF ABSENCE

9.1 PAID LEAVE OF ABSENCE. If a Participant is authorized by the Company for any reason to take a paid leave of absence from his or her service to the Company, the Participant shall continue to be considered employed by the Company, and the Annual Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Section 3.4.

9.2 UNPAID LEAVE OF ABSENCE. If a Participant is authorized by the Company for any reason to take an unpaid leave of absence from his or her service to the Company, the Participant shall continue to be considered employed by the Company, and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid service status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld.

ARTICLE 10
TERMINATION/AMENDMENT/MODIFICATION

10.1 TERMINATION. Although the Sponsor anticipates that it will continue the Plan for an indefinite period of time, the Sponsor reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of the Participants. No such action may be taken without the approval of the Board. Upon a complete or partial termination of the Plan, the Plan Agreements of the affected Participants shall terminate and their vested Account Balances (determined as if the affected participants had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant, as if he or she had Retired on the date of Plan termination), shall, subject to Section 10.6, be paid to the Participants in accordance with their distribution elections in effect at the time of the Plan termination. Notwithstanding the preceding, if distribution of a Participant's Account Balance as a result of the termination of the Plan is not permitted by Section 409A, the payment of the Account Balance shall be made only after Plan benefits otherwise become due hereunder. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination.

10.2 AMENDMENT. The Sponsor may, at any time, amend or modify the Plan in whole or in part by the action of the Board; provided, however, that no amendment or modification shall be effective to decrease or restrict the value of a Participant's vested Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was
eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification.

10.3 EFFECT OF PAYMENT. The full payment of the applicable benefit under Articles 4, 5, 6 or 7 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

10.4 AMENDMENT TO ENSURE PROPER CHARACTERIZATION OF THE PLAN. Notwithstanding the previous Sections of this Article 10, the Plan may be amended at any time, retroactively if required, if necessary, in the opinion of the Board, to ensure that the Plan is characterized as a "top hat" plan of deferred compensation maintained for a select group of management or highly compensated employees, as described Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, to conform the Plan to the provisions of Section 409A, to ensure that amounts deferred under the Plan are not taxable to a Participant under the Federal income tax laws prior to the date on which such amounts are made available to the Participant and to conform the Plan to the provisions and requirements of any other applicable law (including ERISA and the Code).

10.5 CHANGES IN LAW AFFECTING TAXABILITY.

(a) OPERATION. This Section shall become operative upon the enactment of any change in applicable statutory law or the promulgation by the Internal Revenue Service of a final regulation or other pronouncement having the force of law, which statutory law, as changed, or final regulation or pronouncement, as promulgated, would cause any Participant to include in his or her Federal gross income amounts deferred by the Participant under the Plan on a date (an "Early Taxation Event") prior to the date on which such amounts are made available to him or her hereunder; provided, however, that no portion of this Section shall become operative to the extent that portion would result in a violation of Section 409A (e.g., by causing an impermissible distribution under Section 409A).

(b) AFFECTED RIGHT OR FEATURE NULLIFIED. Notwithstanding any other Section of this Plan to the contrary (but subject to subsection (c), below), as of an Early Taxation Event, the feature or features of this Plan that would cause the Early Taxation Event shall be null and void, to the extent, and only to the extent, required to prevent the Participant from being required to include in his or her federal gross income amounts deferred by the Participant under the Plan prior to the date on which such amounts are made available to him or her hereunder; provided, however, that no portion of this Section shall become operative to the extent that portion would result in a violation of Section 409A (e.g., by causing an impermissible distribution under Section 409A).

(c) TAX DISTRIBUTION. If an Early Taxation Event is earlier than the date on which the statute, regulation or pronouncement giving rise to the Early Taxation Event is enacted or promulgated, as applicable (i.e., if the change in the law is retroactive), there shall be distributed to each Participant, as soon as practicable following such date of enactment or promulgation, the amounts that became taxable on the Early Taxation Event.

10.6 PROHIBITED ACCELERATION/DISTRIBUTION TIMING. This Section shall take precedence over any other provision of the Plan or this Article 10 to the contrary. No provision of this Plan shall be followed if it would result in the acceleration of the time or schedule of any payment from the Plan in a manner that would violate the requirements of Section 409A. In addition, if the timing of any distribution election would result in any tax or other penalty (other than ordinarily payable Federal, state or local income or payroll taxes), which tax or penalty can be avoided by payment of the distribution at a later time, then the
distribution shall be made (or commence, as the case may be) on (or as soon as practicable after) the first date on which such distributions can be made (or commence) without such tax or penalty.

ARTICLE 11
ADMINISTRATION

11.1 ADMINISTRATION. Except as otherwise provided herein, the Plan shall be administered by the Plan Committee. The Plan Committee shall be the named fiduciary for purposes of the claims procedure set forth in Article 13 only and shall, except as the Plan Committee may otherwise determine, have authority to act to the full extent of its absolute discretion to:

(a) Interpret the Plan;

(b) Resolve and determine all disputes or questions arising under the Plan, including the power to determine the rights of Participants and Beneficiaries, and their respective benefits, and to remedy any ambiguities, inconsistencies or omissions in the Plan;

(c) Create and revise rules and procedures for the administration of the Plan and prescribe such forms as may be required for Participants to make elections under, and otherwise participate in, the Plan; and

(d) Take any other actions and make any other determinations as it may deem necessary and proper for the administration of the Plan.

Any expenses incurred in the administration of the Plan shall be paid by the Sponsor or the Company.

11.2 DETERMINATIONS. Except as the Plan Committee may otherwise determine (and subject to the claims procedure set forth in Article 13), all decisions and determinations by the Plan Committee shall be final and binding upon all Participants and Beneficiaries.

11.3 GENERAL. No member of the Plan Committee shall participate in any matter involving any questions relating solely to his own participation or benefits under this Plan. The Plan Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, the advice or opinion of any persons, firms or agents retained by it, including but not limited to accountants, actuaries, counsel and other specialists. Nothing in this Plan shall preclude the Sponsor or any Company from indemnifying the members of the Plan Committee for all actions under this Plan, or from purchasing liability insurance to protect such persons with respect to the Plan.

ARTICLE 12
OTHER BENEFITS AND AGREEMENTS

12.1 COORDINATION WITH OTHER BENEFITS. The benefits provided for a Participant or a Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for Employees of the Company. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 13
CLAIMS PROCEDURES

13.1 SCOPE OF CLAIMS PROCEDURES. This Article is based on final regulations issued by the Department of Labor and published in the Federal Register on November 21, 2000 and codified at 29 C.F.R. section 2560.503-1. If any provision of this Article conflicts with the requirements of those regulations, the requirements of those regulations will prevail.

13.2 INITIAL CLAIM. Any claim arising out of or relating to the Plan shall be filed with the Plan Committee. The Plan Committee shall review the claim itself or appoint an individual or an entity to review the claim.

(a) INITIAL DECISION. The person making the claim (a "Claimant") shall be notified within ninety (90) days after the claim is filed whether the claim is allowed or denied, unless the Claimant receives written notice from the Plan Committee or appointee of the Plan Committee prior to the end of the ninety (90) day period stating that special circumstances require an
extension of the time for decision, such extension not to extend beyond the day which is one hundred eighty (180) days after the day the claim is filed.

(b) MANNER AND CONTENT OF DENIAL OF INITIAL CLAIMS. If the Plan Committee denies a claim, it must provide to the Claimant, in writing or by electronic communication:

(i) The specific reasons for the denial;

(ii) A reference to the Plan provision upon which the denial is based;

(iii) A description of any additional information or material that the Claimant must provide in order to perfect the claim;

(iv) An explanation of why such additional material or information is necessary;

(v) Notice that the Claimant has a right to request a review of the claim denial and information on the steps to be taken if the Claimant wishes to request a review of the claim denial; and

(vi) A statement of the Participant's right to bring a civil action under ERISA Section 502(a) following a denial on review of the initial denial.

13.3 REVIEW PROCEDURES.

(a) REQUEST FOR REVIEW. A request for review of a denied claim must be made in writing to the Plan Committee within sixty (60) days after receiving notice of denial. The decision upon review will be made within sixty (60) days after the Plan Committee's receipt of a request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of a request for review. A notice of such an extension must be provided to the Claimant within the initial sixty (60) day period and must explain the special circumstances and provide an expected date of decision.

The reviewer shall afford the Claimant an opportunity to review and receive, without charge, all relevant documents, information and records and to submit issues and comments in writing to the Plan Committee. The reviewer shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim regardless of whether the information was submitted or considered in the initial benefit determination.

(b) MANNER AND CONTENT OF NOTICE OF DECISION ON REVIEW. Upon completion of its review of an adverse initial claim determination, the Plan Committee will give the Claimant, in writing or by electronic notification, a notice containing:

(i) its decision;

(ii) the specific reasons for the decision;

(iii) the relevant Plan provisions on which its decision is based;

(iv) a statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information in the Plan's files which is relevant to the Claimant's claim for benefits;

(v) a statement describing the Claimant's right to bring an action for judicial review under ERISA Section
if an internal rule, guideline, protocol or other similar criterion was relied upon in making the adverse determination on review, a statement that a copy of the rule, guideline, protocol or other similar criterion will be provided without charge to the Claimant upon request.

13.4 CALCULATION OF TIME PERIODS. For purposes of the time periods specified in this Article, the period of time during which a benefit determination is required to be made begins at the time a claim is filed in accordance with the Plan procedures without regard to whether all the information necessary to make a decision accompanies the claim. If a period of time is extended due to a Claimant's failure to submit all information necessary, the period for making the determination shall be tolled from the date the notification is sent to the Claimant until the date the Claimant responds.

13.5 LEGAL ACTION. A Claimant's compliance with the foregoing provisions of this Article is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claims for benefits under the Plan. A Claimant must bring legal action within two (2) years of when the claim first arose, otherwise such Claimant shall be barred from bringing legal action.

ARTICLE 14
TRUST

14.1 ESTABLISHMENT OF THE TRUST. The Company may, in its sole discretion, establish the Trust, in which event the Company intends, but is not required, to contribute to the Trust at such times and in such amounts as the Company shall determine appropriate, assets to provide for its future liabilities created with respect to the Annual Deferral Amounts, Annual Company Discretionary Amounts, and Annual Company Discretionary Benefit Restoration Amounts for the Participants.

14.2 INTERRELATIONSHIP OF THE PLAN AND THE TRUST. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant with respect to amounts deferred under the Plan. The provisions of the Trust shall govern the rights of the Company, Participants and the creditors of the Company to the assets held by the Trust. The Company shall at all times remain liable to carry out its obligations under the Plan.

14.3 INVESTMENT OF TRUST ASSETS. The trustee of the Trust shall be authorized, upon written instructions received from the Plan Committee or investment manager appointed by the Plan Committee, to invest and reinvest the assets of the Trust in accordance with the applicable Trust agreement, including the reinvestment of the proceeds in one or more investment vehicles designated by the Plan Committee.

14.4 DISTRIBUTIONS FROM THE TRUST. The Company's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Company's obligations under this Plan.

ARTICLE 15
MISCELLANEOUS

15.1 STATUS OF PLAN. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3)

and 401(a)(1) of ERISA. The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

15.2 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under this Plan, any and all of the Company's assets shall be, and remain, the general, unpledged
unrestricted assets of the Company. The Company's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

15.3 COMPANY'S LIABILITY. The Company's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.

15.4 NONASSIGNABILITY. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts deferred hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. Except as set forth in Section 15.15, no part of the amounts deferred hereunder shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.

15.5 NOT A CONTRACT OF EMPLOYMENT. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Company and the Participant. Subject to any employment agreement to which the Company and the Participant may be parties, such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

15.6 FURNISHING INFORMATION. A Participant or his or her Beneficiary will cooperate with the Plan Committee by furnishing any and all information requested by the Plan Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Plan Committee may deem necessary.

15.7 TERMS. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

15.8 CAPTIONS. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

15.9 GOVERNING LAW. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Georgia without regard to its conflicts of laws principles.

15.10 NOTICE. Any notice or filing required or permitted to be given to the Plan Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Director of Benefits
Benefits Administration
Rollins, Inc. Deferred Compensation Plan
Rollins, Inc.
2170 Piedmont Road NE
Atlanta, Georgia 30324

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

Such notices or filings shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.
15.11 SUCCESSORS. The provisions of this Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's designated Beneficiaries.

15.12 SPOUSE'S INTEREST. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.

15.13 VALIDITY. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.

15.14 INCOMPETENT. If the Plan Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Plan Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Plan Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

15.15 COURT ORDER. The Plan Committee is authorized to make any payments directed by court order in any action in which the Plan or the Plan Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan under applicable community property or similar laws, the Plan Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse in accordance with Section 409A.

15.16 INSURANCE. The Company, on its own behalf or on behalf of the trustee of the Trust, and, in its sole discretion, may apply for and procure insurance on the life of a Participant, in such amounts and in such forms as the Company may choose. The Company or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Company shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Company has applied for insurance.

15.17 AGGREGATION OF EMPLOYERS. To the extent required under Section 409A, if the Company is a member of a controlled group of corporations or a group of trades or business under common control (as described in Code ss.414(b) or (c)), all members of the group shall be treated as a single Company for purposes of whether there has occurred a Separation from Service and for any other purposes under the Plan as Section 409A shall require.

IN WITNESS WHEREOF, the Sponsor has signed this Plan document as of July 1, 2005.

ROLLINS, INC.

By: 

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Title: 

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Certifications

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

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer 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 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:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 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)
(Principal Executive Officer)
Certifications

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

1. I have reviewed this quarterly report on Form 10-Q of Rollins, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 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:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 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 Quarterly Report on Form 10-Q of Rollins, Inc. for the quarterly period ended June 30, 2005, fully complies with the requirements of Sections 13(a) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of Rollins, Inc.

Date: July 29, 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)
(Principal Executive Officer)

Date: July 29, 2005
By: /s/ Harry J. Cynkus
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Harry J. Cynkus
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)