SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2005-05-02** | Period of Report: **2005-03-31**
SEC Accession No. 0000084839-05-000055

(HTML Version on secdatabase.com)

FILER

ROLLINS INC

CIK:**84839**| IRS No.: **510068479** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-04422** | Film No.: **05787723**
SIC: **7340** To dwellings & other buildings

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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 March 31, 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 68,329,349 shares of its $1 par value Common Stock outstanding as of April 15, 2005.

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ROLLINS, INC. AND SUBSIDIARIES

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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)

	March 31, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
<S> <C>	<C>	<C>
Cash and Cash Equivalents	$ 55,894	$ 56,737
Trade Receivables, Short Term, Net of Allowance for Doubtful Accounts of $3,233 and $4,032, respectively	44,308	45,469
Materials and Supplies	8,600	8,876
Deferred Income Taxes	28,089	28,355
Other Current Assets	10,398	7,368
Current Assets	147,289	146,805
Equipment and Property, Net	52,930	49,163
Goodwill	119,542	119,568
Customer Contracts and Other Intangible Assets, Net	73,667	75,902
Deferred Income Taxes	11,274	13,328
Trade Receivables, Long Term, Net of Allowance for Doubtful Accounts of $1,559 and $1,076, respectively	9,942	9,755
Other Assets	4,156	4,259
Total Assets	$ 418,800	$ 418,780
LIABILITIES		
Accounts Payable	$ 12,859	$ 15,438
Accrued Insurance	13,110	14,963
Accrued Compensation and Related Liabilities	31,943	38,453
Unearned Revenue	84,967	81,195
Accrual for Termite Contracts	11,992	11,992
Other Current Liabilities	33,361	25,939
Current Liabilities	188,232	187,980
Accrued Insurance, Less Current Portion	22,580	22,667
Accrual for Termite Contracts, Less Current Portion	14,147	13,319
Accrued Pension	10,579	10,579
Long-Term Accrued Liabilities	14,622	16,686
Total Liabilities	250,160	251,231
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value $1 per share; 99,500,000 shares authorized; 69,350,351 and 69,060,112 shares issued, respectively	69,350	69,060
Treasury Stock, par value $1 per share; 1,057,348 shares at March 31, 2005 and 556,000 shares at December 31, 2004	(1,057)	(556)
Additional Paid-In Capital	7,819	10,659
Accumulated Other Comprehensive Loss	(15,349)	(16,066)
Unearned Compensation	(6,863)	(3,475)
Retained Earnings	114,740	107,927

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Total Stockholders' Equity	168,640	167,549
Total Liabilities and Stockholders' Equity	$ 418,800	$ 418,780

<FN>

The accompanying notes are an integral part of these consolidated financial statements.
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ROLLINS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2005	2004
REVENUES		
<S>	<C>	<C>
Customer Services	$ 183,915	$ 160,416
COSTS AND EXPENSES		
Cost of Services Provided	98,637	86,542
Depreciation and Amortization	5,963	4,657
Sales, General & Administrative	60,283	52,768
Loss on Sale of Assets	3	1
Interest Income	(462)	(150)
	164,424	143,818
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	19,491	16,598
PROVISION FOR INCOME TAXES		
Current	5,584	4,661
Deferred	2,312	2,071
	7,896	6,732
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	11,595	9,866
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES OF $4,017	---	(6,204)
NET INCOME	$ 11,595	$ 3,662
INCOME PER SHARE - BASIC		
Income Before Cumulative Effect of Change in Accounting Principle	0.17	0.15
Cumulative Effect of Change in Accounting Principle	---	(0.09)
Net Income Per Share - Basic	$ 0.17	$ 0.06
INCOME PER SHARE - DILUTED		
Income Before Cumulative Effect of Change in Accounting Principle	0.17	0.14
Cumulative Effect of Change in Accounting Principle	---	(0.09)
Net Income Per Share - Diluted	$ 0.17	$ 0.05
Weighted Average Shares Outstanding - Basic	67,942	67,947
Weighted Average Shares Outstanding - Diluted	70,063	69,964
DIVIDENDS PAID PER SHARE	$ 0.05	$ 0.04

<FN>

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

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

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
OPERATING ACTIVITIES		
<S> <C>	<C>	<C>
Net Income	$ 11,595	$ 3,662
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Change in Accounting Principle, Net	---	6,204
Depreciation and Amortization	5,963	4,657
Provision for Deferred Income Taxes	3,347	1,273
Loss on Sale of Assets	3	1
Other, Net	198	63
(Increase) Decrease in Assets:		
Trade Receivables	1,072	2,873
Materials and Supplies	277	(310)
Other Current Assets	(3,030)	(2,678)
Other Non-Current Assets	235	(446)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	229	3,761
Unearned Revenue	3,773	4,694
Accrued Insurance	(1,940)	(1,261)
Accrual for Termite Contracts	829	(238)
Long-Term Accrued Liabilities	(2,823)	(917)
Net Cash Provided by Operating Activities	19,728	21,338
INVESTING ACTIVITIES		
Purchases of Equipment and Property	(6,417)	(1,739)
Acquisitions/Dispositions of Companies, Net	(1,291)	(158)
Sale of Marketable Securities, Net	---	21,866
Net Cash Provided by/(Used) in Investing Activities	(7,708)	19,969
FINANCING ACTIVITIES		
Dividends Paid	(3,436)	(2,718)
Common Stock Purchased	(10,604)	---
Other	554	(188)
Net Cash Used in Financing Activities	(13,486)	(2,906)
Effect of Exchange Rate Changes on Cash	623	(53)
Net Increase/(Decrease) in Cash and Short-Term Investments	(843)	38,348
Cash and Short-Term Investments at Beginning of Period	56,737	59,540
Cash and Short-Term Investments at End of Period	$ 55,894	$ 97,888

<FN>

The accompanying notes are an integral part of these consolidated financial statements.
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ROLLINS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PREPARATION AND OTHER

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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, consisting of a normal recurring nature, necessary to present fairly the financial position of the Company as of March 31, 2005 and December 31, 2004, the results of its operations for the three months ended March 31, 2005 and 2004 and cash flows for the three months ended March 31, 2005 and 2004. Operating results for the three months ended March 31, 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 a maturity of three months or less to be cash equivalents. Short-term investments, all of which are cash equivalents, are stated at cost, which approximates fair market value.

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

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designations as of each balance sheet date. Debt securities are classified as available-for-sale because the Company does not have the intent to hold the securities to maturity. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in

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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 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 forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the 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 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 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 ended March 31, 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:

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ROLLINS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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(In thousands except share and per share data)
(Unaudited)

	Previously Reported as of March 31, 2004	Effect of Accounting Change	As Restated as of March 31, 2004
Assets			
Cash and Short-Term Investments	$ 97,888	$ -	$ 97,888
Trade Receivables Short Term, Net	36,349	-	36,349
Materials and Supplies	10,147	-	10,147
Deferred Income Taxes	20,580	6,752	27,332
Other Current Assets	10,092	-	10,092
Current Assets	175,056	6,752	181,808
Equipment and Property, Net	34,618	-	34,618
Goodwill	72,521	-	72,521
Customer Contracts	28,924	-	28,924
Trade Receivables Long Term, Net	9,200	-	9,200
Deferred Income Taxes	17,287	(3,533)	13,754
Other Assets	25,350	-	25,350
Total Assets	$ 362,956	$ 3,219	$ 366,175
Liabilities			
Accounts Payable	$ 15,325	$ (50)	$ 15,275
Accrued Insurance	13,050	-	13,050
Accrued Payroll	26,913	50	26,963
Unearned Revenue	50,702	22,435	73,137
Accrual For Termite Contracts	21,500	(7,317)	14,183
Other Current Liabilities	23,983	-	23,983
Current Liabilities	151,473	15,118	166,591
Accrued Insurance	24,764	-	24,764
Accrual For Termite Contracts	22,135	(8,214)	13,921
Long-Term Accrued Liabilities	16,741	1,371	18,112
Total Liabilities	215,113	8,275	223,388
Stockholder's Equity			
Common Stock	45,399	-	45,399
Retained Earnings and Other Equity	102,444	(5,056)	97,388
Total Stockholders' Equity	147,843	(5,056)	142,787
Total Liabilities and Stockholders' Equity	$ 362,956	$ 3,219	$ 366,175

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

	Three Months Ended		
	Previously Reported March 31, 2004	Effect of Accounting Change	As Restated March 31, 2004
Revenues	$ 158,692	$ 1,724	$ 160,416
Costs & Expenses			
Cost of Services Provided	86,764	(222)	86,542
Depreciation & Amortization	4,657	-	4,657
Sales General & Administrative	52,768	-	52,768
(Gain)/Loss on Sales of Assets	1	-	1
Interest (Income)/Expense	(150)	-	(150)
Total Cost & Expenses	$ 144,040	$(222)	$143,818

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Income Before Taxes	14,652	1,946	16,598
Provision for Income Taxes	5,934	798	6,732
Cumulative effect of change in accounting principle, net	---	(6,204)	(6,204)
Net Income	$ 8,718	$ (5,056)	$ 3,662

</TABLE>

Franchising Program - Orkin had 53 franchises as of March 31, 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 $6.4 million, $5.2 million, and $4.5 million as of March 31, 2005, December 31, 2004, and March 31, 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 gain amounted to approximately $1.3 million in the first quarter of 2005 compared to $0.9 million in first quarter of 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 March 31, 2005, December 31, 2004, and March 31, 2004, respectively. Royalties from franchises are accrued and recognized as revenues as earned on a monthly basis. Revenues from royalties were $427,000 in the first quarter of 2005 compared to $353,000 in the first quarter of 2004. The Company's maximum exposure to loss relating to the franchises aggregated $4.6 million, $3.6 million, and $3.0 million at March 31, 2005, December 31, 2004 and March 31, 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.

	Total Net Revenues		
	2005	2004	2003
First Quarter	$ 183,915	$ 160,416*	$ 155,122
Second Quarter	N/A	202,725*	185,105
Third Quarter	N/A	203,925*	178,262
Fourth Quarter	N/A	183,818	158,524

* 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 during the period which, if exercised, would have a dilutive effect on EPS. Basic and diluted EPS

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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:

(In thousands except per share data amounts)	Three Months Ended March 31, 2005	2004
Net Income available to stockholders numerator for basic and diluted earnings per share):	$11,595	$3,662
Shares (denominator):		
Weighted-average shares outstanding (denominator for basic earnings per share)	67,942	67,947
Effect of Dilutive securities:		
Employee Stock Options and Restricted Stock Awards	2,121	2,017
Adjusted Weighted-Average Shares (adjusted to reflect assumed exercises) (denominator for diluted earnings per share)	70,063	69,964
Per share amounts:		
Basic earnings per common share	$0.17	$0.06
Diluted earnings per common share	$0.17	$0.05

The Company bought back 641,310 shares of the Company's common stock in the first 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 only 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.

NOTE 3. CONTINGENCIES

Orkin, one of the Company's subsidiaries, is a named defendant in Butland et al. v. Orkin Exterminating Company, Inc. et al. pending in the Circuit Court of Hillsborough County, Tampa, Florida. The plaintiffs filed suit in March of 1999 and are seeking monetary damages and injunctive relief. The Court ruled in early April 2002, certifying the class action lawsuit against Orkin. Orkin appealed this ruling to the Florida Second District Court of Appeals, which remanded the case back to the trial court for further findings. In December the Court issued a new ruling certifying the class action. Orkin 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 have been filed (Ernest W. Warren and Dolores G. Warren et al. v. Orkin Exterminating Company, Inc., et al.; and Francis D. Petsch, et al. v. Orkin Exterminating Company, Inc. et al.) in which the Plaintiffs are seeking certification of a class. The cases originate in Georgia and Florida. An arbitration filing has also been filed in Jacksonville, Florida, by Cynthia Garrett against Orkin (Cynthia Garrett v. Orkin, Inc.) in which the plaintiff is seeking certification of a class. The Company believes these matters to be without merit and intends to vigorously contest certification and defend itself through trial or arbitration, if necessary. In the opinion of Management, the outcome of these actions will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

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

The Company and Orkin were also named defendants in Bob J. Stevens v. Orkin Exterminating Company, Inc. and Rollins, Inc., a lawsuit that was filed in Texas and in which the Plaintiff was seeking certification of a class. The parties settled this matter on an individual basis, the class allegations were dismissed, and it is now concluded. In the opinion of Management, the ultimate resolution of this action did not have a material adverse effect on the Company's financial position, results of operations or liquidity.

NOTE 4. STOCKHOLDERS' EQUITY

During the first quarter ended March 31, 2005, the Company repurchased 641,310 shares for $10.2 million under it's stock repurchase program. Also, during the first quarter ended March 31, 2005, approximately 487,000 shares of common stock were issued upon exercise of stock options by employees. As permitted by SFAS No. 123, Accounting for Stock-Based Compensation, the Company accounts for employee stock compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. No stock-based employee compensation cost is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

(In thousands, except per share data)	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net income, as reported	$11,595	$3,662
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(146)	(202)
Pro forma net income	$11,449	$3,460
Earnings per share:		
Basic-as reported	$0.17	$0.06
Basic-pro forma	$0.17	$0.05
Diluted-as reported	$0.17	$0.05
Diluted-pro forma	$0.16	$0.05

NOTE 5. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

<TABLE>
<CAPTION>

<S>	<C> Minimum Pension Liability	<C> Foreign Currency Translation	<C> Other Unrealized Gain/(Loss)	<C> Total
Balance at January 1, 2004	$ ---	$ (247)	$ (67)	$ (314)
Change during 2004:				
Before-tax amount..	(32,124)	(3,967)	109	(28,048)
Tax benefit (expense)	13,769	1,559	86	12,296
	(18,355)	2,408	195	(15,752)
Balance at December 31, 2004	$ (18,355)	$ 2,161	$ 128	$ (16,066)
Change during first three months of 2005:				

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Before-tax amount..	---	623	---	623
Tax benefit (expense)	---	---	94	94
	---	623	94	717
Balance at March 31, 2005	$ (18,355)	$ 2,784	$ 222	$ (15,349)

</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:

	Three Months Ended March 31,	
(In thousands)	2005	2004
Beginning Balance	$ 25,311	$ 43,873
Effect of Change in Accounting Principle	---	(15,309)
Current Period Provision	4,250	4,309
Settlements, Claims and Expenditures Made During the Period	(3,422)	(4,769)
Ending Balance	$ 26,139	$ 28,104

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

	Three Months Ended March 31,	
(in thousan	2005	2004
Service Cost	$1,397	$1,297
Interest Cost	2,208	2,074
Expected Return on Plan Assets	(2,464)	(2,394)
Amortization of:		
Prior Service Benefit	(217)	(217)
Unrecognized Net Loss	1,164	845

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Net Periodic Benefit Cost	$2,088	$1,605

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 "Western Agreement") dated March 8, 2004, between Rollins, Inc. and Western Industries, Inc. and affiliates. The consideration for the assets and certain noncompetition agreements (the "Purchase Price") was approximately $106.6 million, including approximately $7.0 million of assumed liabilities. 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

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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.

	Three Months Ended March 31,	
	2005	2004
REVENUES		
Customer Services	$ 183,915	$ 179,408
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ 19,491	$ 17,664
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	$ 11,595	$ 10,527
NET INCOME	$ 11,595	$ 4,323
EARNINGS PER SHARE - BASIC	$ 0.17	$ 0.06
EARNINGS PER SHARE - DILUTED	$ 0.17	$ 0.06
Average Shares Outstanding---Basic	67,942	67,947
Average Shares Outstanding---Diluted	70,063	69,964

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

Overview

The Company had improvement in both its top and bottom line results compared to the first quarter of 2004. This was the Company's 21st consecutive quarter of improved earnings results and reflects its progress in implementing the Company's growth strategies, productivity initiatives and customer and employee retention objectives.

An integral part of taking the Company to the next level involves making sure that it invests wisely in its business's technological opportunities, and that the Company acquires the most up to date and appropriate business tools to help Rollins succeed. Rollins, Inc. is fortunate to have strong cash flow and financial strength, which allows the Company to invest in its self whether it is through acquisitions or internal infrastructure expenditures.

The Company's newest investment relates to a project to enhance our training capabilities through the acquisition of a satellite-training delivery system. Rollins' satellite system will enable new employees to receive training at a faster rate, reduce training cost over the next several years and provide more consistency in the Company's training products.

Up until now, the majority of Rollins' training has taken place in its branches or remote classroom settings. By nature this means the Company's material is not always delivered consistently and reliant on the individual trainer. Special

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training, for example carpenter ants, mosquito, and bird control training, has significant cost involving travel expenses, meals and lodging. Additionally, new hires in the branches seeking initial training often have to wait for some of their training based on locale and instructor availability. All of these variable training circumstances also make it difficult to track an employee's progress.

Rollins believes satellite training delivery will effectively address these challenges. It will allow the Company to conduct training more frequently and ensure that all employees are being trained with consistent materials and aids. The Company will be able to immediately capture each student's progress and completion of each course, which also has a regulatory benefit. New hires will become productive at a much faster rate, and benefit from a superior product. Rollins will also reduce employee down time and expense associated with offsite classroom training.

The Company training courses will be conducted via an Internet direct link (IDL) from the Rollins, Inc. Orkin University media studio in Atlanta transmitted to various branches across North America. After the original transmission, students will be able to "make up" courses missed, which will offer multiple opportunities to provide training on key seasonal subjects (i.e., mice, fleas, etc.) The students will have a one touch keypad to answer questions and interact with the instructor when in a real time mode.

Rollins estimates the total investment to have a payback of less than 3 years. The Company anticipates a $5 million investment and a $6.5 million savings over the first 3 years. Beyond the financial return, the Company is excited concerning the other soft benefits this will be provided to its employees and customers.

Orkin was recognized in March for the third straight year by Training magazine as one of the top 100 U.S. companies that excel at human capital development. Orkin placed 57th on the list, garnering its highest ranking ever received. All of the companies selected are chosen based on criteria such as training practices, evaluation methods and outstanding training initiatives.

Rollins is implementing a system to improve employee and customer routing and scheduling, which will be integrated into the company's FOCUS operating system. The Company expects it to greatly improve its ability to provide premier "on-time" service to customers. Rollins has engaged an outside vendor whose routing and scheduling software is used by a number of large service companies including, Sears, FedEx, QWEST, Miller Brewing and Allstate Insurance. Some of the capabilities that can be achieved by integrating this customized software into the Company's operating system include multiple choice appointment options for customers and customer-bundling efficiencies that will result in productivity and on-time performance improvements, along with mileage and overtime reductions.

The system will be designed for both commercial and residential business; however the Company will be rolling out commercial first. The Company plans to begin a pilot program before the end of this fiscal year.

Another investment that is rolling out now involves automatic customer messaging. Orkin has just completed its pilot program, and is pleased with the results. This new phone communication process and system will greatly improve how the Company contacts customers. Rollins knows with all the dual income households today that effective customer communication is critical to customer retention.

Ned, the Orkin man, that is featured in Orkin T.V. commercials, will be delivering customized customer messages that include a reminder such as, "it is time for your yearly termite inspection," "it is time for your pest control service," as well as follow up calls to confirm service satisfaction or reminding a customer that they need to pay their bill.

Auto messaging is important to the Company for a number of reasons. First, it reinforces the Orkin brand and it will provide consistent customer communication across all of the Orkin branches. Additionally, it will result in more timely and efficient inspections and visits, and it will offer customers an additional means to confirm their satisfaction.

The Company is also making an investment in improving internal accounting and employee relations related to payroll and incentive compensation processing. To date, the Company has been gathering and inputting this information in a semi-manual mode. This is a labor intensive process that can result in errors, some of which can be costly to the company. The Company further recognizes how important it is to employees to have their paychecks accurate and on time. Rollins will have a real time, totally automated, payroll processing system that will be integrated into the Company's FOCUS system.

Rollins, Inc is committed to delivering environmentally safe pest control and

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educating the public in this regard. The Company has announced that it is partnering with the American Society for Healthcare Environmental Services or (ASHES), to initially address pest services protocols in the healthcare industry.

This partnership kicks off the development and release of Integrated Pest Management (IPM) applications to this industry, (i.e., hospitals, nursing homes, clinics, etc.) This will be its first collaboration in a series of future ASHES publications. This initial edition was co-authored by entomologists from the Orkin and Western Pest Services teams. It will be a `how to" guide for implementing and maintaining effective IPM practices in these healthcare facilities.

Rollins is also working with ASHES on developing releases concerning IPM for its members in other industries. The Company will conclude this educational effort in September at ASHES annual conference and technological exhibit where panelists from Orkin and the IPM Institute of America will participate.

This will enable Rollins to take its commitment to IPM to a new level with the ASHES partnership, while aiding the Orkin brand positioning and customer communication initiatives.

The Company bought back 641,310 shares of the Company's common stock in the first 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 only 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.

The buyback program in no way precludes the Company's acquisition efforts, which remains a top priority. Rollins' strong cash flow and available credit lines position the Company to pursue both strategies, depending on the available opportunities.

In the first quarter of 2005, Rollins, Inc. net income increased 17.5% to $11.6 million, or $0.17 per diluted share, compared to income of $9.9 million, or $0.14 per diluted share for the first quarter of 2004 before the effect of a change in accounting principle. The cumulative effect of the accounting change, recorded in the first quarter of 2004, was a charge against earnings of $6.2 million or $0.09 per diluted share. As a result it is now recognizing termite revenue on a straight-line basis over 12 months. Costs of re-inspections, re-applications and repairs and associated labor and chemicals are expensed as incurred. All numbers presented are on a comparable basis.

The Company's revenue for the first quarter grew 14.6% to $183.9 million, compared to revenue of $160.4 million in the first quarter of 2004. Included in first quarter revenue for this year was Western Pest Services' contribution of $19.6 million. For comparison purposes, Western Pest, which was acquired April 30, 2004, and taking into account the distribution business sold in the third quarter of 2004, revenue increased 2.8%. The table below illustrates the impact of the acquisition and disposition for comparability purposes:

Reconciliation
Revenue Excluding Western Pest Services and Dettelbach

	First Quarter			
	2005	2004	$B/(W)	%B/(W)
Total Net Revenues	$183,915	$160,416	$23,499	14.6%
Less: Western Acquisition	19,594	-	19,594	
Revenue Excluding Western Pest Services	$164,321	$160,416	$ 3,905	2.4%
Less: Dettelbach	-	553	(553)	
Revenue Excluding Western Pest Services and Dettelbach	$164,321	$159,863	$ 4,458	2.8%

Gross margin, which Rollins define as total Revenues minus Cost of Services Provided, was 46.4% of revenues in the first quarter of 2005 compared to a gross margin of 46.1% for first quarter 2004. As a result of the Company's

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distribution agreement it has seen reductions in its material and supply cost and enjoyed continuing improvements in insurance and claims. These were partially offset by Western's higher Cost of Services Provided as a percentage of revenues, particularly in fleet and their material and supply cost.

While Fleet costs continued to increase primarily due to an increase in gasoline prices, the company continues to work to minimize its impact by reducing the number of vehicles on the road and reducing total miles driven. The future routing and scheduling project will help to reduce these costs further in the future.

Depreciation and amortization increased, reflecting $1.5 million in additional amortization of intangibles related to the Western acquisition. As a result of last year's acquisition, customer contracts and other intangible assets net of amortization increased $44.7 million, to $73.7 million, the amortization of which represents a significant non-cash charge against earnings. In 2005 total amortization expense will be approximately $12.3 million, versus $10.9 million in 2004. Based upon the recent stock split and fully diluted shares outstanding as of March 10, 2005, it will represent a charge of almost 18 cents pre-tax, and 11 cents after tax to GAAP EPS this year.

The tax provision for the quarter was 40.5%.

The Company's balance sheet remains strong with cash and cash equivalents of $55.9 million as of March 31, 2005, which positions Rollins to take advantage of any future acquisitions that meet the company's requirements and remain a top priority.

Capital expenditures were up in the quarter and will be for the year. As a result of the $10.3 million gain from the sale of land in the fourth quarter of 2004, the Company has chosen to do some 1031 tax free exchanges that will save Rollins considerable taxes. The Company will be reinvesting the gain by purchasing some existing leased properties as well as a building to house the West Coast division office, which will also be used for training.

Results of Operations

	Three Months Ended March 31,		% Better/ (Worse) as Compared to Same Quarter in Prior Year
(in thousands)	2005	2004	
Revenues	$183,915	$160,416	14.6%
Costs:			
Cost of Services Provided	98,637	86,542	(14.0)
Depreciation and Amortization	5,963	4,657	(28.0)
Sales, General and Administrative	60,283	52,768	(14.2)
Loss on Sale of Assets	3	1	(200.0)
Interest Income	(462)	(150)	208.0
Income Before Income Taxes	19,491	16,598	17.4
Provision for Income Taxes	7,896	6,732	(17.3)
Income Before Cumulative Effect of Change in Accounting Principle	11,595	9,866	17.5
Cumulative Effect of Change in Accounting Principle	---	(6,204)	100.0
Net Income	$ 11,595	$ 3,662	216.6%

Revenues for the quarter ended March 31, 2005 increased to $183.9 million, an increase of $23.5 million or 14.6% inclusive of the Western acquisition completed on April 30, 2004, from last year's first quarter revenues of $160.4 million. For the first quarter of 2005 the primary revenue drivers were Western, which contributed $19.6 million, as well as Orkin's residential pest control business, which increased $2.9 million while growing 4.7%. Every-other-month service, the Company's primary residential pest control service offering, continues to grow in importance, comprising 85.6% of new residential pest control sales for the first quarter of 2005 compared to 69.9% in the first quarter 2004. The Company's foreign operations accounted for less than 7% of total revenues during the first quarter 2005 compared to more than 6% of the total during the first quarter 2004.

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The revenues of the Company are affected by the seasonal nature of the Company's pest and termite control services as, described in Note 1 to the Company's financial statements above. The Company's revenues as a historical matter tend to peak during the second and third quarters, as evidenced by the following chart.

	Total Net Revenues		
	2005	2004	2003
First Quarter	$ 183,915	$ 160,416*	$ 155,122
Second Quarter	N/A	202,725*	185,105
Third Quarter	N/A	203,925*	178,262
Fourth Quarter	N/A	183,818	158,524

* Restated for change in accounting principle.

Cost of Services Provided for the first quarter ended March 31, 2005 increased $12.1 million or 14.0%, compared to the quarter ended March 31, 2004, although the expense expressed as a percentage of revenues decreased by 0.3 percentage points, representing 53.6% of revenues for the first quarter 2005 compared to 53.9% of revenues in the prior year's first quarter. Cost of Services Provided as a percentage of revenues decreased primarily due to improvements in insurance and claims, lower materials and supplies costs, and from employee productivity improvements at Orkin. These were partially offset by Western's higher Cost of Services Provided as a percentage of revenues. One area in which the Company experienced some minor expense increases was in its fleet of service vehicles, which was the result of higher lease and fuel costs in general, as well as the acquisition of Western's fleet during the second quarter of 2004.

Sales, General and Administrative for the quarter ended March 31, 2005 increased $7.5 million or 14.2% as compared to the first quarter 2004, As a percentage of revenues, Sales General and Administrative decreased 0.1 percentage point or 0.3%, representing 32.8% of total revenues compared to 32.9% for the prior year quarter. The decrease in Sales, General and Administrative as a percentage of revenue was mainly attributable to lower sales payroll costs due to organizational changes including the expansion of the Company's call centers. The savings were partially offset by the higher Sales, General and Administrative costs of Western.

Depreciation and Amortization expenses for the first quarter ended March 31, 2005 increased by $1.3 million or 28.0% to $6.0 million versus the prior year quarter. The increase was due to the addition of depreciation and amortization from the acquisition of Western ($1.5 million) partially offset by certain technology assets becoming fully depreciated in the last twelve months. As part of the Western acquisition, $55.2 million of finite-lived intangible assets, principally customer contracts, were acquired. They will be amortized over periods principally ranging from 8 to 12.5 years. This represents a non-cash charge and will increase the Company's amortization by approximately $2.0 million in 2005. For the quarter ended March 31, 2005 amortization of $3.9 million was 50.0% higher than in the prior period quarter.

Income Taxes. The Company's tax provision of $7.9 million for the first quarter ended March 31, 2005 reflects increased pre-tax income over the prior year period and a slight decrease in the effective tax rate. The effective tax rate was 40.5% for the first quarter ended March 31, 2005, down from 40.6% for the first quarter ended March 31, 2004.

Critical Accounting Policies

We view critical accounting policies to be those policies that are very important to the portrayal of our financial condition and results of operations, and that require Management's most difficult, complex or subjective judgments. The circumstances that make these judgments difficult or complex relate to the need for Management to make estimates about the effect of matters that are inherently uncertain. We believe our critical accounting policies to be as follows:

Accrual for Termite Contracts-- The Company maintains an accrual for termite claims representing the estimated costs of reapplications, repairs and associated labor and chemicals, settlements, awards and other costs relative to termite control services. Factors that may impact future cost include chemical life expectancy and government regulation. It is significant that the actual number of claims has decreased in recent years due to changes in the Company's business practices. However, it is not possible to precisely predict future significant claims. Positive changes to our business practices include revisions made to our contracts, more effective treatment methods that include a directed-liquid and baiting program, more effective termiticides, and expanding training.

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

Revenue Recognition-- The Company's revenue recognition policies are designed to recognize revenues at the time services are performed. For certain revenue types, because of the timing of billing and the receipt of cash versus the timing of performing services, certain accounting estimates are utilized. Residential and commercial pest control services are primarily recurring in nature on a monthly or bi-monthly basis, while certain types of commercial customers may receive multiple treatments within a given month. In general, pest control customers sign an initial one-year contract, and revenues are recognized at the time services are performed. For pest control customers, the Company offers a discount for those customers who prepay for a full year of services. The Company defers recognition of these advance payments and recognizes the revenue as the services are rendered. The Company classifies the discounts related to the advance payments as a reduction in revenues. Termite baiting revenues are recognized based on the delivery of the individual units of accounting. At the inception of a new baiting services contract upon quality control review of the installation, the Company recognizes revenue for the delivery of the monitoring stations, initial directed liquid 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 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 adjustment of $6.2 million (net of income taxes) as of January 1, 2004.

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Contingency Accruals-- The Company is a party to legal proceedings with respect to matters in the ordinary course of business. In accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, the Company estimates and accrues for its liability and costs associated with the litigation. Estimates and accruals are determined in consultation with outside counsel. It is not possible to accurately predict the ultimate result of the litigation. However, in the opinion of Management, the outcome of the litigation will not have a material adverse impact on the Company's financial condition or results of operations.

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 first interim or annual period after December 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the 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 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 first period restated. Rollins is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will not have a material impact on Rollins' consolidated results of operations and earnings per share. Rollins has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

Liquidity and Capital Resources

Cash and Cash Flow

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
(in thousands)	2005	2004
<S>	<C>	<C>
Net Cash Provided by Operating Activities	$ 19,728	$ 21,338
Net Cash Provided By/(Used) in Investing Activities	(7,642)	19,969
Net Cash Used in Financing Activities	(13,552)	(2,906)
Effect of Exchange Rate on Cash	623	(53)
Net Increase/(Decrease) in Cash and Cash Equivalents	$ (843)	$ 38,348

</TABLE>

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 $19.7 million for the three months ended March 31, 2005, compared with cash provided by operating activities of $21.3 million for the same period in 2004.

At the April 26, 2005 meeting of the Board of Directors, as part of the Company's active management of equity capital, the Board of Directors authorized 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 276,216 shares remain available for repurchase.

The Company invested approximately $6.4 million in capital expenditures during the first three months ended March 31, 2005, compared to $1.7 million during the same period in 2004, and expects to invest between $18.0 million and $20.0 million for the remainder of 2005. Capital expenditures for the first three

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months consisted primarily of two building purchases and the purchase of equipment replacements and upgrades and improvements to the Company's management information systems. During the first three months, the Company made acquisitions totaling $1.2 million, compared to $0.2 million during the same period in 2004. Acquisitions were funded by cash on hand. A total of $3.4 million was paid in cash dividends ($0.05 per share) during the first three months of 2005, compared to $2.7 million or $0.04 per share during the same period in 2004. The Company repurchased 641,310 shares of Common Stock in the first three months of 2005 and there remain 276,216 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 March 31, 2005 or April 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 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.

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 Industries, Inc. and affiliates. 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

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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 March 31, 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 the Warren and Petsch cases and the Garrett arbitration. For further discussion, see Note 7 to the accompanying financial statements.

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 forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement recognition. Rollins is required to adopt SFAS 123R in the 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 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 first period restated. Rollins is evaluating the requirements of SFAS 123R and expects that the adoption of SFAS 123R will not have a material impact on Rollins' consolidated results of operations and earnings per share. Rollins has not yet determined the method of adoption or the effect of adopting SFAS 123R, and it has not determined whether the adoption will result in amounts that are similar to the current pro forma disclosures under SFAS 123.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include statements regarding the expected impact of potential future pension plan contributions, future contributions of Western, expected contributions of the commercial business segment, and the outcome of litigation arising in the ordinary course of business and the outcome of the Butland et al. v. Orkin Exterminating Company, Inc. et al. ("Butland") litigation on the Company's financial position, results of operations and liquidity; the adequacy of the Company's resources to fund operations and obligations; the Company's projected 2005 capital expenditures; the impact of recent accounting pronouncements; the expected outcome of the growth of national account revenue. The actual results of the Company could differ materially from those indicated by the forward-looking statements because of various risks, timing and uncertainties including, without limitation, the possibility of an adverse ruling against the Company in the Butland or other litigation; general economic conditions; market risk; changes in industry practices or technologies; the degree of success of the Company's termite process reforms and pest control selling and treatment methods; the Company's ability to identify potential acquisitions; climate and weather trends; competitive factors and pricing practices; potential increases in labor costs; and changes in various government

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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 Commission for the year ended December 31, 2004.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 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 March 31, 2005, this risk was not significant in the first three 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.

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 March 31, 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 first quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As of March 31, 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

<TABLE>
<CAPTION>

Issuer Purchases Of Equity Securities

Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Repurchase Plan(2)	Maximum Number of Shares that May Yet Be Purchased Under the Repurchase Plan(2)
<S>	<C>	<C>	<C>	<C>
January 1 to 31, 2005	215,292	$16.82	196,050	721,476
February 1 to 28, 2005	515,146	$16.49	445,260	276,216
March 1 to 31, 2005	73,362	$17.61	---	276,216
Total	803,800	$17.12	641,310	276,216

(1) Includes repurchases in connection with exercise of employee stock options in the following amounts: January 2005: 19,242; February 2005: 69,886; March 2005: 73,362.

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(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 up to 4 million shares of the Company's common stock. These plans have no expiration dates.

</TABLE>

Item 6. Exhibits.

(a) Exhibits

(3)(i) (A) Restated Certificate of Incorporation of Rollins, Inc. dated July 28, 1981, and Certificate of change of Location of Registered Office and of Registered Agent dated March 22, 1994, both of which are incorporated herein by reference to Exhibit (3) (i) as filed with the registrant's Form 10-K for the year ended December 31, 1997.

(B) Certificate of Amendment of Certificate of Incorporation of Rollins, Inc. dated August 20, 1987, incorporated herein by reference to Exhibit (3)(i)(B) to the registrant's Form 10-K for the year ended December 31, 2004.

(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 March 31, 2004.

(4) Form of Common Stock Certificate of Rollins, Inc., incorporated herein by reference to Exhibit (4) as filed with its Form 10-K for the year ended December 31, 1998.

(10)(c) Rollins, Inc. Form of Restricted Stock Agreement incorporated herein by reference to Exhibit 10 (c) as filed with its Form 10-K for the year ended December 31, 2004.

(10)(d) Rollins, Inc. Form of Option Agreement incorporated herein by reference to Exhibit 10 (d) as filed with its Form 10-K for the year ended December 31, 2004.

(10)(e) Rollins, Inc. Executive Compensation Summary

(10)(f) Written Description of Rollins, Inc. Performance-Based Incentive Cash Compensation Plan for Fiscal Year 2005 incorporated herein by reference to Exhibit 10 (f) as filed with its Form 10-K for the year ended December 31, 2004..

(10)(g) Form A of Executive Bonus Plan incorporated herein by reference to Exhibit 10 (g) as filed with its Form 10-K for the year ended December 31, 2004.

(10)(h) Form B of Executive Bonus Plan

(10)(i) Rollins, Inc. Non-Employee Directors Compensation incorporated herein by reference to Exhibit 10 (i) as filed with its Form 10-K for the year ended December 31, 2004.

(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.

SIGNATURES

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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: April 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: April 29, 2005 By: /s/ Harry J. Cynkus

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

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Exhibit 31.1

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

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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: April 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)

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Exhibit 31.2

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

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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: April 29, 2005

By: /s/ Harry J. Cynkus

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

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Exhibit 32.1

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 March 31, 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: April 29, 2005

/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: April 29, 2005

/s/ Harry J. Cynkus

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

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Exhibit 10 (e)

Summary of Compensation Arrangements with Executive Officers

The following summarizes the current compensation and benefits received by the Chief Executive Officer of Rollins, Inc. ("the Company") and the Company's other four most highly compensated executive officers (the "Named Executive Officers").

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

Base Salaries

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

<TABLE>

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

</TABLE>

Executive Bonus Plan

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

- R. Randall Rollins, Gary W. Rollins and Glen Rollins participate in the Performance Plan only, pursuant to the terms and conditions of the Company's standard Form A of Executive Bonus Plan, a copy of which is filed with the Company's periodic reports; and

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

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

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

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

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

Stock Options and Other Equity Awards

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

Automobile Usage

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

Airplane Usage

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

Other Benefits

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

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EXHIBIT 10(h)

STANDARD FORM B OF
EXECUTIVE BONUS PLAN

[Rollins logo] Executive Offices

PERSONAL & CONFIDENTIAL

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

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

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

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

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

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

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

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

FOR: [NAME OF RECIPIENT]

The elements of the plan are as follows:

1. PROFIT TO PLAN

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

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

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

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

2. PROFIT INCREASE OVER LAST YEAR

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

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

Your CY[LAST YEAR] Pre-Tax Adjusted Profit base was: $
Annual `0__

3. COMBINED REVENUE TO PLANNED INCREASE

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

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

</TABLE>

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

Your CY0__ Combined Revenue Plan is:

$[plan year target amt.]	$___________	[target percentage]
Annual '0__	Actual '0__	% increase

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Glossary of Terms and Conditions

200__ Rollins, Inc. Executive Bonus Plan

I. General Plan Qualifiers and Provisions

A. The plan year for this bonus is January 1, 200__ to December 31, 200_.

B. Your bonus plan is subject to change each year.

C. Your bonus will be calculated using your actual current base salary as of December 31, 200__.

D. Your eligibility for a bonus and the amount due will be determined solely by the Company.

E. Bonus payments will be made in one lump sum no later than March 15, 200__, minus applicable state and federal taxes. Other deductions may apply, e.g., 401(K) deductions, etc.

F. You must be employed in the same position on December 31, 200__ to be eligible for a bonus, except as described below in (H.)

G. You will not receive a bonus if for any reason you are in a position on December 31, 200__ that is not eligible for a bonus or if you are not actively employed on the date that the bonus is paid.

H. If you are promoted during the plan year from one bonus-eligible position to another bonus-eligible position, the bonus components common to both plans carry over to the new position. Plan components unique to the original bonus-eligible position will be paid based on time spent in the position (must be at least 50 percent of the plan year). Bonus amounts on these unique components will be calculated at the time of the transfer based on year-to-date results.

I. If you are hired into a bonus-eligible position during the year, or if you are promoted during the plan year from a position that is ineligible for a bonus into a bonus-eligible position, you will be eligible for a pro-rated bonus if you are in the bonus-eligible position for at least 50 percent of the plan year.

J. You will not receive any bonus if you falsify documents, violate company policy or know of such actions by employees under your direction without taking corrective actions.

K. Any disputes over your bonus will be resolved by the Compensation Committee.

L. The Compensation Committee reserves the right to reward outstanding performance in unique situations by awarding an employee a bonus outside the terms of the 200__ Home Office Bonus Plan.

M. The actual profit from which the bonus may be determined may be subject to adjustments as recommended by the President and approved by the Compensation Committee for the year 200__.

N. Acquisitions over $5,000,000 in revenue will be added to the Company strategic plan (revenue and profit) based on a pro forma of the acquisition model for bonus calculations.

II. Plan Components

A. General Provisions The 200__ Home Office Executive Bonus Plans divide

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

B. Profit Increase Performance Component If Rollins Inc.'s pre-tax profit in 200__ increases compared to 200__, you will receive a percentage of the profit increase up to the maximum allowable percentage of salary under your bonus plan for this component.

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

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

ACKNOWLEDGMENT

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

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Plan Participant Date

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

FOR: [NAME OF RECIPIENT]

The elements of the plan are as follows:

1. KEY OPERATING INITIATIVES

The Key Operating Initiatives element will be paid at 5% of your annual salary for 100% achievement of the following Key Operating Initiative:

Meet or be under your combined departments' Expense Plan

The Company must have a profit and a profit improvement for this element to be paid. The stipulation as described in number 3 of Section II, C of the attached Glossary applies to this component.

2. INTERNAL CUSTOMER SERVICE SURVEY RESULTS

The Internal Customer Service Survey element will be paid on a sliding scale up to a maximum of 5% of your annual salary:

Internal Customer Service Survey Results of Consolidated Departments Reporting to Position	Annual % of Salary

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____ or more	5%
___ - ___	3.75%
___ - ___	2.5%
Below ___	0%

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

Glossary of Terms and Conditions

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

I. General Plan Qualifiers and Provisions

A. The plan year for this bonus is January 1, 200_ to December 31, 200_.

B. Your bonus plan is subject to change each year.

C. Your bonus will be calculated using your actual current base salary as of December 31, 200_.

D. Your eligibility for a bonus and the amount due will be determined solely by the Company.

E. Bonus payments will be made in one lump sum no later than March 15, 200__, minus applicable state and federal taxes. Other deductions may apply, e.g., 401(K) deductions, etc.

F. You must be employed in the same position on December 31, 200_ to be eligible for a bonus, except as described below in (H.)

G. You will not receive a bonus if for any reason you are in a position on December 31, 200_ that is not eligible for a bonus or if you are not actively employed on the date that the bonus is paid.

H. If you are promoted during the plan year from one bonus-eligible position to another bonus-eligible position, the bonus components common to both plans carry over to the new position. Plan components unique to the original bonus-eligible position will be paid based on time spent in the position (must be at least 50 percent of the plan year). Bonus amounts on these unique components will be calculated at the time of the transfer based on year-to-date results.

I. If you are hired into a bonus-eligible position during the year, or if you are promoted during the plan year from a position that is ineligible for a bonus into a bonus-eligible position, you will be eligible for a pro-rated bonus if you are in the bonus-eligible position for at least 50 percent of the plan year.

J. You will not receive any bonus if you falsify documents, violate company policy or know of such actions by employees under your direction without taking corrective actions.

K. Any disputes over your bonus will be resolved by the Compensation Committee.

L. The Compensation Committee reserves the right to reward outstanding performance in unique situations by awarding an

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employee a bonus outside the terms of the 200_ Home Office Bonus Plan.

M. The actual profit from which the bonus may be determined may be subject to adjustments as recommended by the President and approved by the Compensation Committee for the year 200_.

N. Acquisitions over $5,000,000 in revenue will be added to the Company strategic plan (revenue and profit) based on a pro forma of the acquisition model for bonus calculations.

II. Plan Components

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

B. Customer Satisfaction Component

1. The 200_ Internal Customer Service Surveys will utilize a format similar to the ones utilized in 200_.

2. Participants with this component will have this portion of their bonus opportunity based on the weighted average rating of the departments who report to them.

3. You will receive 100 percent of the bonus opportunity under this component if your departments receive a weighted average rating of ____ or better.

4. You will receive 75 percent of the bonus opportunity under this component if your departments receive a weighted average rating of _____.

5. You will receive 50 percent of the bonus opportunity under this component if your departments receive a weighted average rating of ______ in the survey.

C. Key Operating Initiatives Component

1. The purpose of this portion of the bonus plan is to recognize achievement of specific financial and/or strategic goals.

2. Participants with this component will have this portion of their bonus opportunity based on 100% attainment (or better) of their combined departments' expenses to plan.

3. You will not receive any bonus for a KOI linked to your departments' expense to plan if you intentionally understaff your departments or delay an agreed-upon project.

ACKNOWLEDGMENT

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

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Plan Participant	Date

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